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ABSTRACT

The history of student aid policies in California is reviewed by the Eureka Project to help guide policy formation and review developments that have accounted for past consensus about the state's role in providing student aid. Attention is directed to: the demographic facts that have made student aid important to California; the evolution of concepts of student aid from its origins as a very small enterprise; the political and policy history of the major initiatives and trends in California's grant programs; and efforts to coordinate the increasing number of programs, especially state and federal ones. Topics reviewed in this document include: California population trends, older students and continuing education, social mobility and ethnic minorities, the concept of financial need, items in the student's budget, student resources, free tuition policy, high tuition costs at private colleges, aid before World War II, the GI Bill, prosperity and its aftermath, the origins of need analysis and its use in California, student aid packaging, the origins of the Basic Grant idea, the California State Scholarship Program, the College Opportunity Grant Program, achievement of ethnic diversity, the National Defense Education Act, and the Higher Education Act of 1965 and the 1972 Amendments. (SW)

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THE EUREKA PROJECT

A Review of Student Financial Aid in California

Origins and Outcomes:

*An Essay on the History of
Student Aid in California*

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Former Director
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CONSULTANTS
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Assistant Provost
Stanford University

Eugene Cota-Robles
Assistant Vice President
University of California

Deborah Daniels
Director
Solano University and Community
College Education Support
Services Consortium

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THE **EUREKA**
PROJECT

A Review of Student Financial Aid in California

Origins and Outcomes:

*An Essay on the History of
Student Aid in California*

May 1987

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PREFACE

Student financial aid has become a major and complex educational industry. This year in California alone expenditures will be approximately \$1,500,000,000 in all forms of financial assistance—grants, loans, and jobs. It is estimated that about 330,000 California students and their families receive federal, state, institutional and other forms of student financial aid. Ten percent of all California families are participating in student financial aid programs, with close to 500,000 families involved by virtue of repaying a debt acquired during college years.

Thirty years ago student financial aid nationally was less than \$100,000,000 and in California it was less than \$10,000,000. Government programs were not numerous and were relatively simple in design. While funds were inadequate, the standards and procedures were comprehensible to all involved. Administration was, by today's standards, simple. Limited student financial aid, largely scholarships, was an activity funded by individuals, college endowments, and local groups. Even scholarships financed by PTA bake sales or similar activities were important to the total structure of financial aid.

Over the last decades all financial aid has grown and its composition and sources of funding have markedly changed. In the last ten years loans have replaced grants and scholarships as the principal form of student aid. With a massive infusion of loan funds

through commercial lenders, the nature of student financial aid has changed. The locus of funding activities has moved from the PTA bake sale to huge federal appropriations, multimillion dollar stock and bond issues and an occasional international financial transaction to finance secondary loan markets.

As student financial aid has assumed a larger role in post-secondary education, it has become more important to review the policies that have undergirded it. One endeavor is to find out what the policies have been and if they have been explicitly enunciated or developed unofficially throughout the course of events. Policies, either as specifically adopted or developed in an evolutionary way, need to be reviewed for their past effect, current value, and future utility. Problem policies need to be identified and policies appropriate for the balance of this century developed.

It is these concerns that led to the creation of The Eureka Project. The Eureka Project is a privately organized, funded, and directed review of student aid policies in California. It is entirely funded by major grants from the James G. Irvine, Weingart, and Haynes Foundations, and a supplemental grant from the Atlantic Richfield Foundation.

The Eureka Project is under the general direction of a board of directors, with more technical and specific advice to the project given by a steering committee composed of representatives of interested

groups and institutions in California. A staff of consultants has come together to direct and write the various studies under The Eureka Project.

The Eureka Project aspires to review how California student financial aid developed, what it has done, what it has not done, and how it has served the interest of the general public, students, and institutions. The Eureka Project, which focuses on California, attempts to define issues and suggest policy guides for the future that may confirm where appropriate repair is needed and where redesign is desirable.

To this effort, The Eureka Project brings the experience of many individuals in postsecondary education and student financial aid. Their views are reinforced or tempered by available data.

With the broadest possible perspective, The Eureka Project studies the financing of higher education opportunities in California and the impact of current financial aid programs upon the formal structure of higher education and students. Within this perspective lies the concern that the door of educational opportunity may be closing, that the health and vitality of quality independent institutions could be at risk, and that the current student financial aid system has a wide range of unintended consequences.

The Eureka Project anticipates issuing approximately a dozen reports between spring and fall of 1987. These reports will endeavor to stimulate policy review of student financial aid and financing of higher education in California and will be offered by the Board of Directors as thoughtful documents for that purpose. The reports will not necessarily represent the views of members of the Board of Directors or of the four California foundations whose grants have made The Eureka Project possible.

The first report of The Eureka Project is an historical essay entitled "Origins and Outcomes." Many individuals have contributed ideas, interpretations or words to the essay, but it is largely the work of Martin Kramer, former Deputy Assistant Secretary of Health, Education and Welfare in the federal government and Senior Fellow for the Carnegie Council on Higher Education. It is not a conventional

history and does not attempt to record all the events that have been instrumental to the growth of student aid. It does try to give an understanding of the major ideas and forces that have powered the development of the large educational enterprise that has affected the lives of students, institutions and the state.

Numerous individuals have either commented upon or provided material that has been incorporated in the text. Their assistance has been of great value. They are:

Deborah Daniels, Marjorie Dickinson, Eugene Cota-Robles, Don Hills, Robert Huff, James Ludlam, Sam McCandless, James Moore, James Nelson, Keith Pailthorpe, A. Alan Post, Edward Sanders, and William Van Dusen.

All are individuals who have observed or participated in the development of student financial aid in the country and in California.

It is hoped that the studies from The Eureka Project will be useful references for individuals who will be deciding the future of student financial aid in California. Subjects in future studies and essays will be:

- Effectiveness of student financial aid in California with reference to both students and institutions.
- The premises which have undergirded the development of eligibility standards and practices for eligibility and need analysis.
- Student financial aid for graduate and professional school students.
- Perceptions of and attitudes toward student aid in California.
- A discussion of the student loan programs and the issues attendant to the accumulation of student debt.
- Comparison of California with other industrial states.
- Identification and discussion of major policy issues.

A final report will synthesize the major findings of The Eureka Project studies and essays.

The Eureka Project plans to complete its work by December of 1987.

Arthur S. Marmaduke
Executive Director
The Eureka Project

FOREWORD

Anyone who makes the effort to understand the system of student financial aid now operating in California is soon struck by how complicated the programs are in their rules, their structures, and their involvement of students with a multitude of agencies and organizations. Anyone who wants to know not just how student aid works, but how *well* it works also meets with complexity, for the programs have differing objectives and differing results for students in different situations.

Tracing the history of the student aid programs is as good a way as any of disentangling this complexity, and possibly the best way. For the complexity reflects changes over time in policy goals and a succession of initiatives and compromises. Almost never have the commitments and procedures of earlier programs been completely abandoned or replaced. An example is the Perkins Loan Program. It was originally the National Defense Student Loan program and was part of the nation's response to the Soviet Sputnik. Its name has changed twice, but it is, in the 1980's, structurally the same program it was in the 1950's.

History is useful as an introduction to the complexities of the student aid programs, but it is important for at least three other reasons. One has to do with the balance among programs. As additional programs were enacted and funded, the continuing older programs constituted a baseline for change. Each additional program adjusted the balance among

all the programs taken together. As a result, if one program were taken away, the remaining ones would have oddly lopsided effects.

It has been argued, and very persuasively, that there are too many programs. Simplification has been an important item on many agendas for a long time. But insofar as there now exists a student aid policy that balances priorities, that policy mainly exists in the historical accretion of programs. Thus, the Pell Grant and Cal Grant B programs emphasize aiding students because they come from families with few resources, while the Cal Grant A and federal "campus based" programs emphasize aiding students because they face high costs of education. Those who wish to understand policy, whether to preserve or change it, must understand history, for it is in history that you will find policy.

A second important reason for reviewing the history of student financial aid, in California and elsewhere, is that history helps those who are engaged in policy debates to understand where the other parties are "coming from." For example, over the years economists and policy analysts have brought forward a number of schemes, usually intriguing, for making student aid more predictable and, perhaps, in one way or another, fairer. These schemes have almost invariably been met with cool skepticism on the part of campus student aid administrators. The policy analysts have shown, by word and deed, an equal skepticism about the values of the practitioner's art,

sometimes adding to the administrator's role tasks he feels highly uncongenial, sometimes taking away discretion he feels to be essential.

History is helpful in understanding the pattern of stalemate that has resulted. To understand the mutual skepticism of aid administrator and policy analyst, it is important to realize that in its formative years student aid was a small enterprise. Those involved were few and they mostly knew each other. They made aid awards on Tuesday and served on policy committees on Wednesday. An administrator made a judgment and, if it seemed to apply to similar cases, it became a rule of thumb and then, a little later, a policy. This method of consensual self-governance created many of the most important concepts of the student aid system, among them that of "packaging" aid from multiple sources, about which a good deal will be said later in this essay.

Policy analysts and economists appeared on the scene (as more than just observers) a full decade after this pattern of self-governance had taken root. They arrived when student aid was on its way to becoming a huge enterprise, and they arrived with programs like Social Security, welfare and Medicare as their models for distributing public benefits. There could hardly be anything more useful than for policy analysts and aid administrators to understand each other's different backgrounds and assumptions better than they usually have. It is a sense of the history of student aid which is obviously necessary to promote that understanding.

A third reason for tracing the history of student aid applies particularly to California. Over the last thirty years a remarkable consensus has emerged concerning the state's role in providing student aid. Legislators across a broad band of the political spectrum have been supportive of the Cal Grant programs. Until recently, anyway, public and independent institutions in California have generally been able to resolve differences of interest that have sometimes brought their counterparts in other states into conflicts approaching open warfare. The consensus has been possible mainly for two reasons: first, there has been agreement that the goal of wider educational opportunity should control the mechanism for distribut-

ing both student aid and direct state subventions to public institutions. Both legislators and institutions have wanted to avoid mechanisms that would lend themselves to pork-barrel politics. Second, there has generally been a kind of balance between the amounts distributed among the public and independent segments, such that each could view its actual share as enough to provide vital help in dealing with important priorities of its own. Each knew a breakdown of the consensus would risk the prospect for that help in the future, with only very uncertain prospects for a larger share.

Things might not have worked out in this way. The original State Scholarship Program was created, as was the Higher Education Master Plan, at a time of intense competition among the segments and among the regions of the state. It is valuable to review the sequence of developments that made the consensus possible, especially if, as some believe, the consensus is beginning to break down.

There are many different and respectable ways to present history. Some of them would defeat a major purpose of this essay—that is, to provide a way for people not professionally involved to gain a perspective on the complexities of the student aid system. A detailed year-by-year, month-by-month narrative would almost certainly defeat this purpose. So would a narrative that was truly comprehensive in its treatment of all the programs in all their details. Instead, an organization has been adopted here which first presents the demographic facts which have made student aid an important concern for the people of California. The second theme is the evolution of the concepts of student aid from its origins as a very small enterprise. Next comes the political and policy history of the major initiatives and trends in California's grant programs, initiatives and trends that have attempted to respond to the public agenda and to use program mechanisms that would accomplish public goals. Fourth comes the history of efforts to coordinate the increasing number of programs, the state and federal ones in particular. Emphatically, this is not a comprehensive history, but rather an essay designed to introduce some major themes.

1 THE DEMOGRAPHIC BACKGROUND

Demographers neatly categorize the two sources of population growth as natural increase—the surplus of births over deaths—and net migration. The population of California more than doubled between 1950 and 1980, and it had more than trebled before that between 1920 and 1950, as shown in Table A.

TABLE A
Population of California
1920-1980
(Millions of Persons)

Year	Total Population
1920	3.4
1930	5.7
1940	6.9
1950	10.6
1960	15.7
1970	20.0
1980	23.7

Source: Decennial censuses

This extraordinary growth came, of course, from both migration and natural increase—and from the combination of the two, for a high proportion of the net migration has, since World War II, consisted of people of an age to start or to expand their families.

The growth of California's population would have called for a vast expansion of its educational

system even if its people had, in every way, been precisely representative of the nation as a whole. Arguably, however, it has not been representative in its aspirations for educational opportunity, because so many Californians have been in-migrants. The fact that migration has played such a large role in the growth of California means that more of its people have proved themselves willing and able to change course and start new lives. There is almost certainly a correlation between these characteristics of the geographically mobile and high aspirations for social mobility.

Those migrating to California hoped for something better than they left behind. It was the possibility of greater opportunities that attracted them to California—possibilities created by the dynamic industries that have been the engine of the state's economic growth. It is characteristic of these industries that they have not simply accepted and made use of the natural comparative advantages afforded by the geography and climate of the state, but have consciously sought technological advantage, and long before to do so had become commonplace in other regions and countries. The industries of the state have, accordingly, placed a premium on hiring people with the superior skill and training who can originate technological innovation or adapt to it.

California, then, has had more than its share of people seeking opportunities and willing to make the effort and sacrifices entailed. At the same time,

the industries that provided opportunities wanted people with the kind of edge that superior education confers. Thus, demand for educational opportunities grew with the growth of the population, but that demand was compounded by a kind of demographic multiplier: because the people of California have been the kind of people they are, in the economic situation the state has enjoyed, they have wanted more educational opportunity than the increase in their numbers by itself would have called for. This is most obviously true of groups that have been settled in the state for some time. A guess is that it will prove equally true of more recently arrived ethnic groups.

The growth in the number of young people in the state does not fully account for the demand for education reflected in the state's educational investments. The school and college age population of the state has, of course, grown along with the total population, and in fact somewhat more rapidly until the present decade, so that young people have constituted a rising proportion of the population, as shown in Table B.

TABLE B
*15 to 19 Year Olds as a Percent of the
Total California Population*

Year	Percent
1940	7.9
1950	6.0
1960	7.0
1970	9.1
1980	9.0

Source: Decennial censuses

Yet this growth alone does not account for the willingness of the state to support world class research universities *and also* a system of public baccalaureate colleges *and also* a system of accessible community colleges placed within commuting distance of most of the state's population. These accomplishments are explainable only by a special belief in the value of education.

Older Students and Continuing Education

The faith of Californians in education has by no means been limited to the belief that education

is a good thing for the young. There seems to be no person, of any age or occupation, who does not believe that there is something he or she could gain from additional education, more or less formal. Again, the rest of the world seems to be becoming like California, but one has the impression that continuing educational aspirations are far more common in California than elsewhere and have been widespread for a far longer time. Even in the early 1960's one California student in six was 29 or older.

The demand for extended or resumed or continuing education has, of course, received an institutional response. Programs have proliferated designed for people in life circumstances different in many ways from those of the single, dependent student in the traditional 18- to 24-year-old college age bracket. However, student aid originated in efforts to provide opportunities for young, full-time students. It is wrenching to adapt concepts formed in this setting to the situations of older students, and it can't be said to have yet been done successfully anywhere. The older students are too various: the situations of some older students make them appear less in need of aid than younger students while, from other perspectives, they often seem more in need.

Social Mobility and Ethnic Minorities

Many of those who have come to California seeking social mobility have, in fact, achieved it, or have achieved it vicariously through their children. But they have generally not achieved it right away, and when they have, others have come after them. So it is not a paradox that California has offered genuine social and occupational mobility and has historically provided generously for education, yet still has large numbers of people who have not "made it," and whose ability to pay for education is limited or nonexistent.

The most striking demographic phenomenon of the last 40 or 50 years in California has been the distinctively ethnic waves of migration. Large numbers of blacks came from the American south during World War II and made possible the vast expansion of defense production and employment in California factories and shipyards. Many more blacks came in the immediate post-war years, often following family connections. Immigration from Mexico and Central America has, of course, long been important to

the state, particularly to its large-scale agriculture, but a discernible surge came in the 1970's and 1980's as Latin American societies and economies became more and more troubled. This surge continues, as does a wave of immigrants from southeast Asia.

The surges of migration gather momentum not only from deepening problems elsewhere but from reinforcing factors—the increasing ease of transportation, the impact of precedent (when someone you know has left the community of origin, it becomes easier to think about leaving yourself) and from the attraction of new ethnic communities in the state as they become established. There are push effects, facilitating effects, and magnet effects.

Relatively few members of the largest ethnic minority groups have arrived with any combination of education, technical skills, capital and English language proficiency that would enable them to move immediately into high paying employment. The distribution of such assets is very uneven both within and among ethnic groups, but it is probably fair to say that most recent immigrants have had no alternative but to seek work in relatively low paying occupations. At the same time, they have often come from backgrounds where large families were the norm. As a result, the surges in migration often involve relatively large numbers of offspring dependent on relatively small incomes, as shown in Table C.

TABLE C
*Ethnic Differences in Number
of Teenagers Per Family:
Ratio of Persons 15 to 19 Years Old to
Families with Children Under 18 Years Old
California, 1980*

Blacks	.751
Chinese	.684
Filipino ¹	.587
Hispanic	.747
Vietnamese	1.009
White	.682

Source: Decennial Census, 1980

¹The very low Filipino ratio is misleading. The children of most recent Filipino immigrant families are too young to be captured by the ratio. For Filipinos, the ratio of children under five to families with children under six was 1.206 compared to 1.160 for whites.

It is a corollary proposition that young members of minority groups tend to constitute a larger proportion of their age cohorts than do their parents of theirs, as shown in Table D.

TABLE D
*Ethnic Shares of Youth and Parental Generations:
The Percentage of 15- to 19-Year-Olds in the
Population of California Compared with the
Percentage of 40- to 44-Year-Olds, by Ethnic Group*

	Percentage of Cohort, 1970	Percentage of Cohort, 1980
Hispanic		
15 to 19	17.4	23.1
40 to 44	15.0	16.5
Black		
15 to 19	7.6	9.4
40 to 44	6.4	7.8
Vietnamese		
15 to 19	N.A.	.5
40 to 44	N.A.	.3
White		
15 to 19	88.8	60.9
40 to 44	89.4	68.2

Source: Decennial censuses

A typical student from any of the major ethnic minority groups that have grown rapidly in the last generation, with the exception of some Asian groups, can expect a smaller share of smaller family resources than the typical offspring of members of groups established in California for two or three generations, as shown in Table E on the following page.

The Demographic Impetus for Student Assistance

The basic demographic facts sketched here have obvious impact on social policy in many areas, certainly including student assistance. There are, in effect, two multipliers operating: the growth in the population of the state generates greater demand for education than the sheer growth of the population

TABLE E
Migration, Family Size and Family Income,
Selected Ethnic Groups
1979-80

	Asian and Pacific Islands	Black	Hispanic	White
Percent born outside California (1980)	72.7	56.7	50.9	54.2
Persons per family (1980)	3.7	3.4	4.0	3.0
Children born per 1,000 women 35 to 40 (1980)	2,212	2,859	3,323	2,253
Median family income, head of household 35 to 40 (1979)	25,635	18,439	17,961	27,489

Source: Decennial Census, 1980

numbers would indicate, because the geographic mobility of the large in-migrant segment of that population almost certainly carries with it especially high aspirations for social and occupational mobility. At the same time, newer Californians tend to have larger families and smaller incomes to support them, giving rise to a second multiplier: a greater need for public resources than demand for education would itself indicate.

At the elementary and secondary school level, the lack of family resources to pay for education is disguised, since most students from most income levels attend free public schools. But at the postsecondary level the effect is apparent. Traditionally, families pay a large share of the costs of attending college, even where tuition charges are low. So the two multipliers work in tandem. The aspirations of new Californians are high, but what they can afford to pay per child is low. It is inevitable that student aid, to bridge the gap, should be a major issue of public policy in California. The demographics of California could hardly have any other result.

The demographic impetus for student assistance is, however, rarely translated immediately into a corresponding growth in the number of individual students having measured financial need. There are a

number of hurdles to be overcome before the children of in-migrants present themselves as candidates for student aid. The case of Hispanic in-migrants represents the full range of hurdles. Before the aspirations of members of Hispanic groups take the specific form of aspirations for postsecondary education, they must become settled, they must become reasonably comfortable with English, they must become accustomed to the patterns of schooling in the United States and they must come to terms with the culture of the country, at least insofar as it represents expectations about what can be done with education and what can usually not be done without it. They and their families must come to accept the postponement of regular wage earning that may be entailed—the opportunity costs of higher education. It is only after these hurdles have been overcome—by individuals and to a certain extent by whole families—that members of Hispanic groups are likely to present themselves as high school graduates or otherwise as candidates for postsecondary education. The lag is illustrated by a comparison of the rates at which Hispanic and white students move on to the next rung of the educational ladder as shown in Table F.

TABLE F
*Retention Rates of Ninth Graders
 Through the Bachelor's Degree
 at a California Public University*
 (1982-83 High School Graduates)

	Hispanic	White	Black
Percentage graduating from high school	66.1	78.1	66.7
Percent enrolling as freshmen at a public institution	25.3	41.2	33.2
Percent graduating from public university within 5 years	1.7	4.8	1.6

Source: CPEC Staff Analysis

One can perhaps draw an economist's distinction between latent aspirations for postsecondary education and effective aspirations. One must not be misled by the low effective demand into underes-

timating the latent demand. As rates of high school graduation increase among Hispanic and Black communities, one can expect larger numbers of college students.

2. THE CONCEPTUAL HISTORY

American higher education is characterized by a pattern of mixed public and private financing. So are many other areas of national life, but the public impulse involved in the financing of education is somewhat different. In the areas of health care and income maintenance, the public impulse springs from a wish to mutualize the risks of adversity and to show generosity to those who experience it. In contrast, the public purpose in education is not to alleviate suffering but to create opportunities. Students who make good use of their educational opportunities will reap important personal benefits.

Those who are struck by this contrast between education and other social policies sometimes go on to ask why there should be public financing of higher education at all. Why should those who expect to benefit not be the ones who pay the costs? The issue has a direct bearing on student aid programs. It has been pointed out that, if there really were a consensus that all the benefits of higher education accrue exclusively to individuals, then there would be no reason for subsidizing higher education at all, and hence no reason for any type of student aid that incorporates a subsidy. If, on the other hand, all the benefits were agreed to be public, it would make sense for government and philanthropy to pay all the costs. But neither situation obtains, so the issue of where to draw the line cannot be avoided.

The matter is complicated by the fact that there are several ways of drawing a line between public and

private benefits and also conflicting arguments about the kind and amount of public benefits that are necessary to justify subsidies. There is, however, one way to avoid complicating the issue unduly. A particular state (or nation or city) has certain advantages over others that those who live there or who do business there can rely upon. When they do so, they convert these advantages to private benefits, but the advantages are available to all, whether they make much or little or no use of them. In this sense, such advantages of availability are public benefits, not private ones, and some of them are the result of educational investment. Literacy is such an advantage. An investor, for example, who is choosing a location for a new factory will almost always consider the availability of a literate work force an advantage to a location that has one over a location that does not. A literate workforce creates a vast range of options, foreseen and unforeseen, that are otherwise simply unavailable.

Education creates many such advantages of availability, although their value is not always as immediately obvious as that of general literacy, or will be as constantly relied upon by almost everyone. To create this kind of public benefit is held to be an adequate reason for having a public component in the financing of education, however other benefits of education are allocated between the public at large and individuals. This rationale also explains the forms taken by several kinds of public intervention

in support of education: to increase the numbers of those educated and to improve the quality and consistency of the education they obtain over what would be achieved if the individuals concerned were investing solely their private resources for the sake of strictly private benefits. It also explains why public resources are used in ways that do not supplant private ones.

Student and Institutional Budgets

All of this applies to the financing of higher education through student aid programs. But the place where public and private purposes and financial flows converge is in two types of budgets: those of educational institutions and those of individual students. These two types of budget represent two different but equally valid ways of looking at the financing of higher education in California and elsewhere. One is to take the perspective of the college or university or trade school and to look at where its resources come from and where they go. If we take this perspective—that of the institution's budget—we will not have the whole picture. Some funds that pay for educational opportunities never pass through the institution's hands. This is the case to the extent that the student's family, or employer, or a philanthropy or a public body puts money in the hands of the student which that student then pays to others besides the institution, typically for room, board, books and other non-instructional necessities of participation in the educational process. It is necessary to supplement institutional accounts to capture these expenditures.

The other equally valid way of looking at the financing of higher education is to look at it from the student's point of view, at the student's financial resources and expenditures. This perspective also is incomplete, because the flow of resources provided by philanthropy and government directly to institutions does not go through the student's hands, and so is left out of student budgets. So this kind of account needs supplementing too.

This background would not seem to get us very far along with the history of student aid, but in reality it is quite important to that history. There is a perennial tendency to overlook elements of the situation to which student aid is meant to respond if those ele-

ments are left out of the accounts and statistics in terms of which discussion is carried on. It is often necessary, for example, to be reminded that aid which enables students to attend independent colleges does not necessarily enable them to pay for a more expensive alternative to a public institution. It may not be more expensive at all in terms of the full cost of education, since the state pays the public institution directly for so many costs. It may simply be that more of the cost of education passes through the student's budget in the form of tuition charges in the case of independent higher education.

Another example of overlooking an important aspect of student aid is something that happened frequently at California community colleges until about a decade ago. The aid administrators at these institutions often had a hard time convincing the college administration that their students needed any aid at all. The common attitude was that, since tuition was free, there was no cost to students and therefore no need for aid. This attitude came from looking at the financing of higher education entirely from an institutional perspective. From the point of view of the student's budget, there certainly were costs—costs incurred for books, supplies, room, board and commuting at a minimum. Yet many community colleges did not seek aid funds, or sought far less than they might.

Student aid programs of almost all kinds operate by doing something to individual student budgets, most often to increase resources but occasionally to reduce expenses, as by fee waivers. It is, therefore, natural for a history of student aid to take the point of view of the student, and that will ordinarily be done here. But from time to time, it is important to revert to the institutional perspective. Institutional revenues available to meet the costs of instruction, the sources of those revenues and their adequacy to maintain the quality of education are not irrelevant when the topic of student aid is discussed. They are part of what student aid is about—educational opportunity.

Because student aid takes the student's budget as its starting point, rather than the institution's, it has been the vehicle for compensating students who forego the benefits of state funding of public institution budgets and choose independent institutions instead. It has also been the vehicle for enabling students who could not otherwise afford to attend even a very low tuition institution to do so, by recognizing

the non-tuition costs of attendance. It is not at all coincidental that student aid has special importance to students attending the colleges that charge the most and those that charge the least.

The Concept of Financial Need

The structure of an individual student's budget is basically a simple one. On one side are all the expenses the student will have to incur if he or she attends a particular college. On the other side are the sources of the cash that are available to pay those expenses. The gap between expenses and resources that would exist if the student received no aid is, quite straightforwardly, termed "financial need."

Controversies of two kinds surround this definition. One kind of controversy is about whether all amounts of "need" of all kinds of students attending all kinds of institutions should be treated the same—that is, whether all need represents an equal claim on available student aid resources. This controversy is not really about the concepts appropriate to organizing the budget of the individual student but about the aid-worthiness of different amounts of need of different students. Does the need of a student who cannot attend any college without aid outrank the need of a student who cannot otherwise choose the college that seems right for him? Does the first dollar of need of either student outrank the last dollar of need of the other? The development of the different points of view in these controversies is a major theme in the conceptual history of student aid.

Items in the Student's Budget

The other kind of controversy is about individual items in the student's budget and whether they are correctly measured in this or that program. The first item is obviously tuition and other fees. Plainly, the amount of this item in a student's budget is what the institution says it is: it is the price the institution has decided to charge, the price of admission to its program. Over the last decade, however, there has been concern that some colleges might increase tuition and fee charges in order to increase the number of student aid dollars entering their revenues.

They could do this if student aid programs provided grant aid dollar for dollar with any increase in fees. But, in fact, the public aid programs operating in California have never been this open-ended since the post-World War II GI Bill. In setting fees, institutions may take eligibility for aid into account, but it is no simple matter of tapping unlimited student aid funding. The amount for fees appearing in a student's budget really does represent the judgment of the institution's governing authority about the revenues it must have for its total program.

A student's budget will contain, besides fee expenses (and related ones like books and supplies), other less academic items. The largest will be expenses for room and board. If the student lives on campus, these costs will, like tuition, reflect prices established by the institution. If the student lives off campus, however, the amounts that should be included are far less obvious. There is no simple formula to determine the room and board costs of a student who lives with parents. When students do not live on campus or with parents, we are confronted by all the permutations of students' endless ability to economize and be extravagant at the same time—e.g., the luxury apartment occupied by three times the number of people for whom it was designed, all subsisting on hot dogs. It is not clear, even if we know the individual facts, where the economizing is real and where it is not. For example, some housing alternatives save on rent but cost more for door-to-door transportation, so that car expenses can easily become a defensible budget item. But what kind of car?

Those who criticize student aid or the structure of particular programs often focus on the extravagant side of student spending, ignoring drastic economies elsewhere in students' budgets. The fact is that those who deal with student budgets usually allow for a fairly austere scale of living and then let students make whatever tradeoffs between items that they choose.

Student Resources

The items on the other side of the ledger—the financial resources available to the student—are controversial as well. Traditionally, the most important financial resource has been the contribution of parents. The amount a student can count on from this source obviously varies both with how much the

parents have to give and how much they are *willing* to give.

Before student aid was widely available, each family usually had to work out its own very private decision about how much money to make available for college expenses. If parents were unwilling or unable to provide enough money, their children either did not go to college or worked their way. Matters cannot be so simple where aid funds have been made available to meet financial need. Most people would find it unconscionable if a student whose parents had ample resources received aid because the parents were unwilling to pay much, while a student from a family with fewer resources, but willing to make enormous sacrifices to pay for college, got less aid, or no aid, just because of its willingness to sacrifice. Comparison of family financial resources becomes inevitable with need-based student aid in the picture. One wants a standard for allocating aid that gives students with equal resources the same amount, at least if the students have equal need—that is, a standard of horizontal equity. One also wants a standard that expects a greater financial contribution from parents who have more to give than from parents who have less—that is, a standard of vertical equity. Both kinds of standards are needed to prevent unconscionable results.

The difficulty is to translate these principles into numbers. If the amount that those parents pay who are willing to make the greatest sacrifices is taken as the norm, then students from less willing families are penalized, for they will not actually receive the money from home their student budgets assume. But if the amounts paid by families who are unwilling to sacrifice very much are taken as the norm, then a great many families will be asked to do less than they are willing and able to do. Their contributions will be displaced by aid, to no apparent purpose. The task is to set standards somewhere between the two extremes, so that most parents will see their expected financial role as a realistic one.

A special set of cases here are those where it would be unreasonable to expect parents to make any contribution at all because the student should no longer be considered their dependent. A vast amount of controversy surrounds the question of the appropriate criteria for determining such independence, controversy which the reader of this essay can be spared. Unfortunately, students and student aid administrators will *not* be spared, for the 1986 amendments to the federal Higher Education Act

have created new and exceedingly complex standards, different from those for the California programs.

The next item after parental contribution on the resource side of the ledger is the student's own contribution from earnings and savings. The difficulty with this item is that the earnings included in the student's budget are *projected* earnings. The budget is drawn up before the money is actually earned. Both the business cycle and pure luck can make the estimate of earnings from a summer job turn out wildly optimistic or wildly conservative. If over-optimistic, the student is likely to be heard from again, requesting more aid to balance his budget. If over-conservative, the extra actual earnings readily get absorbed—in reducing the parents' contribution, in reducing the amount of the student's borrowing, or in financing a somewhat higher standard of living.

The parents' (or other relatives') contribution, the student's savings and earnings in unsubsidized jobs and borrowing on private credit constitute the wholly private, non-philanthropic resources in a student's budget. The rest is aid or quasi-aid. It includes grants, subsidized earnings and subsidized borrowing.

The reason for drawing the line just here between aid and non-aid resources is that all aid and quasi-aid inevitably give rise to issues of accountability not present where wholly private resources are concerned. Whether aid money comes from philanthropy, government, or the college's own budget, questions arise about whether the right student has received the right amount in comparison with other students. The same is true of subsidized jobs, preferentially allocated jobs, and loans that depend on the credit of the institution or on that of government. It is at this point that we can begin to speak of policy issues in student aid—or issues of public policy, if the money or credit is government's. There are inevitably such issues when we start to aggregate individual student budgets and look at how aid and quasi-aid resources are channeled into them.

The Free Tuition Tradition

The concern for making higher education opportunities more generally available in California did not, however, begin with efforts to supplement the resource side of student budgets with financial assistance, but with effort on the cost side: to make

university education available free of tuition charges. From almost its beginnings, the University of California had a firm policy of not charging tuition. The predecessors of the institutions in the California State University system had a similar policy. The community colleges were founded as an extension of the K through 12 public school system, so, of course, they were also tuition-free. The Master Plan of 1960, in providing for distinct missions of the three public segments and laying the basis for the rapid growth of all three through the early 1970's, reaffirmed the tradition of no tuition.

There can be hardly any question that the concept of tuition free postsecondary education worked, as far as it went. Enrollments in the public institutions grew rapidly through the 1960's, that is, before the great expansion of student aid funding that occurred in the late 1960's and the 1970's. From 1956 to 1966, the percentage of the state's population enrolled full-time in higher education increased by almost two-thirds. The public institutions' share of this growth occurred almost entirely without the benefit of student aid. According to estimates made for a joint committee on higher education of the legislature, at the end of this ten year period (in 1967), aid and quasi-aid amounted, on average, to only about 14 percent of student budgets at the University of California and 11 percent at the colleges that now constitute the California State University. It was practically nonexistent at the community colleges.

It is probable, but not easy to establish, that this enrollment growth included a higher proportion of students from lower-income families than had ever been typical before. The free tuition tradition communicated the message that higher education would be affordable for many families who would not have dreamed of sending their children to college if only private or high-fee public institutions had been available.

This tradition—and its success—has made it very hard to modify openly the fee structure of public higher education in California. Since 1970 fees have, in fact, been charged by the University and the State University and have provided revenues to support institutional purposes which tuition charges often support in other states, including student aid. More recently, the community colleges have also been compelled to charge such fees. In 1982, Assembly Concurrent Resolution No. 81 made clear the Legislature's awareness that increases in fees in response to fiscal stringency would entail a reconsideration of

the low fee strategy for extending educational opportunities and of the role of student aid in complementing or supplementing that strategy.

Free tuition did not, in any case, solve all the problems of providing access to higher education without regard to ability to pay. Even if institutional fees for tuition and other purposes are zero, fees are only one item on the expense side of the student's budget. Room, board and other necessities of the life of a student have to be paid for too. The authors of the 1960 California Master Plan were aware that the costs of subsistence could be a formidable barrier to college attendance and they included in their recommendations a program of subsistence grants. Legislation providing for such grants was not, however, enacted. A recommendation that *was* carried out was to place a community college (and in many cases a baccalaureate unit of the State University as well) within commuting distance of most people in the state. With campuses of the University in all the largest urban centers, the public higher education system of California became the first of any state's to be highly commuter-oriented, and it remains so.

What this meant for access was that a large proportion of young and dependent students—especially those who chose a community college—had the option of living at home with their parents in order to save on room and board. Many could, at the same time, hold jobs in the community which improved the resource side of their budgets. This aspect of the Master Plan ranks very close to free tuition as a major step in providing college access free of insuperable financial barriers, and its value continues even as fees are increased.

It remained the case, however, that the state's offer of access was a conditional one: we will pay for your costs of instruction, usually at a nearby institution, but you must find private resources to meet other costs if you want to take advantage of this offer.

The Problem of the Independent Colleges

The other problem left unresolved by the California tradition of low or zero tuition at public institutions was, of course, the barrier of relatively high tuition costs at independent colleges and universities. Lacking public financing for operating expenses, the independent institutions looked to tuition

revenues to meet them. They never seemed to have had great hope of obtaining operating subsidies from the state as independent colleges and universities in states like New York and Pennsylvania have done successfully. Such subsidies were plainly prohibited by the California constitution and proposals for amendments to permit them rarely had much political support.

The problem is not just one of self-interest on the part of the independent institutions. Even if an independent institution has outstanding educational resources and even if it offers an attractive program unlike any offered by a public institution, the attractiveness of these things has to be very great to overcome the market-place disadvantage of a relatively much higher price, unsubsidized by public resources. It can be overcome by a few independent institutions, but for most the price disadvantage would, uncompensated for, be a major handicap. And the state could stand to lose a great deal by extreme competitive pressure against the independent institutions. It would, of course, have to pay the cost of any additional enrollments at public institutions. It could also lose the diversity of the programs the independent institutions offer, if they were forced to close. It could lose their participation in the larger effort of California to extend educational opportunity if they merely survived, serving only the small proportion of students who come from families for whom high tuition is not a significant barrier.

Aid Before World War II

To see how the lack of student aid funds came to be perceived as a public issue, it is necessary to go back to a time before the perspective of the student's budget was commonplace. Before World War II the concept of measured need in a budgetary sense was not at all central to awarding the small amounts of aid then available. Grants to students were traditionally called "scholarships" because they were awarded to bright students who would make good use of opportunities for further study. This was felt to be a sufficient rationale for making such awards, but further purposes were served as well. Scholarships often served as a reward for performance in high school and college and thereby as an incentive for students to work harder. Grants were also a way of investing in the development of special talents—

academic, athletic or creative—that might otherwise go to waste or be under-developed. There was also the more general purpose of making the society a more open one and giving needy and worthy students—vaguely defined—some of the advantages their parents could not give them.

Before World War II most scholarships were awards made out of the funds of particular colleges. The award of a scholarship created a special relationship between the student and the institution. On the institution's side was a wish to recruit the ablest students it could. Then, as now, brighter students were easier to teach and their achievements shed glory on the institution. On the student's side, the award of a scholarship signaled that the college had faith in him and that he would really be welcomed. Such a show of confidence was greatly valued by a student and powerfully motivated choice of the college that made the award. It is pretty clear that students were inclined to choose a college that awarded a scholarship over one that did not, even if the out-of-pocket costs of attending the awarding college were still greater, net of the grant. Scholarships were therefore part of recruitment. There was self-interest here, in the wish to attract promising students, but the wish to give such students educational opportunities was genuinely philanthropic and usually inseparable.

The GI Bill

GI Bill benefits were a departure from previous scholarships in almost every respect. They were not a reward for previous academic achievement. Nor did the recipient have to show special promise of future achievement. They were not, after World War II, intended as an incentive of any kind; only much later did the military see educational benefits as a recruitment incentive for the armed forces. The special relationship recognized was not between the student and the institution but between the veteran and a grateful country—a country that felt it owed veterans a great deal. The GI Bill was certainly a move toward a more open society, not, however, because this was abstractly considered desirable but because veterans were considered to have earned the right to such a society.

There were two rationales for the post-World War II GI Bill that were without precedent and

without exact sequel. The discharged servicemen in their millions would be looking for jobs. It was felt that many of them needed additional skills to make the transition. This was most obviously the case where a serviceman had been drafted at the completion of high school or had volunteered even before completing. Hence the official name of the GI Bill: Servicemen's Readjustment Benefits.

There was a second, connected rationale. Memories of the Great Depression were still fresh. It was feared that the end of the war would mean a rapid and perhaps protracted resumption of high rates of unemployment. Those in war industries (many of whom had been unemployed before the war) would be seeking new jobs, as well as would the veterans. Wouldn't it be easier and smoother for the entire economy to make the transition to peacetime if some ex-servicemen were removed for a time from the feared scramble for jobs by spending some time on a college campus? In other words, it was not just the servicemen who would need to do some readjusting, but the economy as a whole.

Both sets of adjustments were, on balance, extraordinarily successful, and higher education itself learned something by the time the wave of GI Bill enrollments had passed through. Before World War II higher education had been viewed as something for a relatively small elite who genuinely wanted it and would benefit from it. Certainly, many thought that this elite should be open to merit and democratically selected. But the idea that going to college could become a normal option for a broad spectrum of society had, before the GI Bill, something of the sound of a hopeful fantasy. The GI Bill changed this. Colleges often admitted GIs out of gratitude for their service to their country, but with their fingers crossed. When the returning GIs proved themselves hard-working and motivated, their professors were greatly reassured about the feasibility and desirability of mass higher education.

Prosperity and Its Aftermath

The GI Bill period was a distinct period in the financial history of American colleges and universities as well as a time of changing attitudes. By the early 1950's it was over. Although the time for using GI benefits was extended for some World War II veterans, most used them pretty quickly after the

war if they decided to use them at all. Later there were GI Bill benefits for veterans of Korea and Vietnam, but the numbers of veterans under those programs were fewer in proportion to non-veteran students and there was no longer an allowance for tuition charges. This latter feature meant that most GI Bill payments under the later programs went toward subsistence and did not pass through institutional budgets at all.

The period of the original GI Bill was one of great prosperity for higher education. Colleges and universities did not enjoy large profits as did many proprietary schools that enrolled returning servicemen. The colleges and universities were, after all, non-profit institutions. But money came in at a healthy pace in the form of tuition revenues or state capitation subsidies.

The money coming in did not go out again as quickly, making penny-pinching economies much less necessary than in the 1930's. What happened was an instance of one of the near-laws of higher education finance: expansion is financially comfortable and contraction is invariably painful. This is not really because growth means greater size and more opportunities for economies of scale. Economies of scale tend to occur only when new, higher levels of enrollment are then sustained. In the period of rapid expansion, confusion, experimentation, and the ill-adaptedness of doing some things in the old ways tend to make for less, not more efficiency.

The prosperity of expansion is, rather, due to the fact that the resources used as a matter of expediency during a period of expansion generally cost less per student than the resources colleges and universities use on a permanent basis. Additional regular faculty cannot be hired quickly enough, so classes are allowed to get larger or more are taught by adjunct faculty. In either case, instructional costs per credit hour are less. Classroom and laboratory buildings are intensively scheduled or are augmented by temporary buildings, achieving further savings. Cash balances often build up because money budgeted for necessary and desirable purposes simply cannot be spent quickly enough.

Unless the trustees and administration are as astute as Joseph in managing the fat years for the sake of the lean years, contraction reverses all the financial advantages of expansion. This will be most severe or at least most obvious in the case of independent institutions. Even if enrollment plateaus, faculty are eventually hired, permanent buildings are built

and spending catches up with income. If enrollment actually declines, the cost of these new commitments is spread over fewer student tuition payments or capitation grants. Many independent colleges have experienced all of this in the last ten years. The passing of the GI Bill cohorts in the early 1950's resulted in much the same thing. Some veterans graduated, some used up their benefits, others made civilian commitments that precluded their ever doing so. Adjunct faculty could be laid off and temporary buildings torn down or used for another "temporary" purpose. But, in general, the passing of the GIs brought on a period of financial strain.

The independent colleges had not only learned from the veterans that they liked a more democratically selected student body; they had also learned that they needed one for their own prosperity. It was this recent history, and this double motivation, that provided the impetus for the independent colleges of California to seek the kind of state scholarship program that was enacted in 1955. The GI Bill had made them comfortable about receiving externally funded students, and they wanted to avoid the pains of contraction. Had the recent history been different, they might have felt that the only acceptable remedy would be an amendment to the state constitution provision prohibiting aid to independent institutions, but the GI Bill had suggested the alternative of externally funded student aid.

The Origins of Need Analysis

Not only in California, but across the country, colleges and universities were making efforts to adjust to the waning of the GI Bill. One effort was to get their own houses in order by administering their own aid funds more effectively. The fact that this effort came before either the state or federal governments enacted new student aid programs has proved immensely important: the concepts, the procedures and even the personnel involved in the collegiate effort have influenced the way student aid from all sources has been conceptualized and administered. In the foreword to this essay, it was pointed out that student aid as we know it began with small programs at individual colleges. Ground rules evolved under a kind of consensual self-governance. These ground rules—and the spirit of self-governance—are still very much alive, even though student aid now amounts

to billions of dollars for the nation as a whole.

The immediate problem out of which the pattern of self-governance emerged was the situation in which colleges found themselves as the tide of the GI Bill receded. There were not enough affluent recent high school graduates to fill all the places in classrooms that had been created for the veterans. The independent institutions felt this most because they were most dependent on tuition payments to support their budgets. They wanted to recruit more students and they wanted more of the ablest students. Scholarships had sometimes been a way of attracting students before the war, so it was natural to try to use aid to gain an advantage in the new period of competitive recruitment.

But the results were unsatisfactory. The student aid funds of even a well endowed college were usually only a fraction of the aid that had been coming from the federal government via the GI Bill. Yet competitive recruitment often meant, in practice, offering a potential student an extra several hundred dollars (1950 dollars!) of scarce scholarship aid, only in order to deprive another college of the student's enrollment. If one college was successful in out-bidding another in one case, it might well lose in the bidding for the next student, leaving neither college better off and both dispersing their aid resources in the bidding war. Given the reinforcement the GI Bill had given to a faith in opening up educational opportunities, this waste of scarce aid resources was highly distasteful to many.

This distaste was not allowed to become a mere chronic discomfort with the existing system, but was translated into action with remarkable speed. Within one year—between April 1953 and February 1954 to be exact—a powerful consensus was established for doing away with the auction system and replacing it with one in which aid awards were limited to need, as measured by a standardized estimate of the ability of families to pay for education. There was some dissent and some lapses from standards in subsequent years, but the main points of the new consensus held.

The speed with which all this occurred makes any historical analysis very difficult. It is almost impossible to say how much one event influenced another because one followed the other so quickly. Probably there was a widespread feeling that something should be done about the auction system, and soon. At the April, 1953, national meeting of the College Board, the chaos of the auction system was

described and a fully developed system for standardizing estimates of family ability to pay was presented. Then, in May of 1953, a group of 13 West Coast colleges agreed on the principle of making cash awards to students only on the basis of need. The 13 developed a somewhat simplified form for reporting parental financial information and used it in making aid awards for the fall of 1954.

With the need and the feasibility of such a system both documented, consensus emerged rapidly. An appropriation by the College Board for a full-scale study of the problem was not spent because agreement became so general so quickly. In February 1954, the College Board announced the creation of the College Scholarship Service (CSS) and, soon after, a system of "transcripts" for showing standardized calculations of ability to pay that would be in operation the following year.

Economics and Fairness

What had been created was not just an administrative mechanism for avoiding the use of student aid in competitive recruitment. The mechanism required that there be a single standard for determining how much aid each student should receive, based on his individual budget—that is on *both* his costs of attendance *and* his private resources. Suppose a student was being courted by two colleges, one expensive and one relatively cheap. If each of them offered only enough aid to bring his budget in balance at that institution, then the student's choice between them would be financially neutral. Even though the more expensive institution offered more aid, there would be no financial advantage in choosing it—the extra aid would exactly offset the extra expense.

Eliminating bidding for students in this way had immediate educational advantages for students, quite distinct from the advantages for institutions. The student's choice between two institutions would now be unbiased by money considerations, and he could therefore choose the institution that best suited him educationally and personally. Because it put an end to bidding for students with financial assistance, the new consensus ironed out in the early 1950's has been called a cartel, or a cartel-like arrangement. Arguably, it would have been this if the colleges had simply adopted criteria for awarding aid that maximized

their net revenues. However, what was worked out was something quite different. An attempt was made to develop a standard for measuring the parental resources available to the student based on what parents with different family expenses, incomes, assets and obligations actually did contribute when they made a serious effort.

Devising such a standard required the wisdom of Solomon and a fine-tuned crystal ball as well, but a conscientious and reasonably empirical standard of ability to pay had consequences that no mere arbitrary standard serving the purposes of a cartel could have had. It prevented the diversion of student aid dollars to students who did not need them, and it thereby maximized the availability of aid dollars for students who *did* need them. It did this for all students attending any of the institutions seeking to avoid bidding wars and, at the same time, it did it for all students *within* the individual institutions. It meant a great step forward in fairness. It brought about both vertical and horizontal equity in the distribution of aid to students.

Thus, the impulse to adopt such standards of ability to pay certainly sprang in part from the economic conditions of colleges in the post-GI Bill period, but it is understandable that such standards were felt to have a moral and educational rightness about them that rapidly won converts. Unlike the usual cartel that reduces price competition for very similar or fungible commodities, the need analysis consensus sustained a diversity of alternative educational approaches among which students could choose.

What was needed to solidify and perpetuate the consensus was some sort of compact among the colleges and universities that subscribed to the standards, but none of them wanted their institutions to lose their autonomy in student aid and admissions matters. Some degree of accountability to the group was necessary for the system to work, but at each institution it was also necessary to make an individual accommodation with such facts of life as funding restricted to academic or athletic scholarships. The choice of the College Board to run the system was a natural one. Membership was voluntary. Members were expected to hold themselves accountable to group decisions, but with autonomy and flexibility, for example, in the use they made of entrance examination scores. This was exactly what was wanted for the system of estimating the ability of families to pay for college.

Need Analysis and California

Some California colleges were among the early adherents of the new consensus, but the importance of the standards to California went beyond their participation in the CSS system. There were special motivations for the enactment of the California State Scholarship Program in 1955 that we will examine later. But it is very likely that the California program would never have gotten off the ground when it did if the new need analysis system had not provided some answers to the pressing questions of how much each student should get.

Students came from families with differing resources and the tuition charges they faced depended on the colleges they chose to attend. Members of the legislature wanted to avoid favoritism toward particular students and institutions and they also wanted to avoid creating a cumbersome and expensive bureaucracy to administer any state scholarship program. The standardized need analysis system, though very new, offered a rational way to deal with these problems. Using the system, the state could be assured that aid funds could be distributed in a way that was tailored to the need of individual students, but was at the same time consistent across students and across institutions. It was, moreover, a system that enjoyed the *imprimatur* of the most respected institutions in the country, including the most prestigious independent colleges and universities in California. Without the system the legislature could well have thrown up their hands at the complexities of the problem. With the system available for adoption by California, these difficulties were readily resolved and the legislature could go forward with reasonable assurance that the program could be administered fairly and would more or less automatically maximize the number of students receiving educational opportunities at any given level of appropriations. Major obstacles to scholarship legislation had been removed.

Packaging

After the standardized system of need analysis was put in place, one of the problems that many college aid administrators had to address was how to handle the restricted student aid funds the colleges had received over the years as gifts and bequests.

Some of these endowments were very idiosyncratic: the recipients of scholarships had to be from a particular place, their fathers had to be veterans or firefighters, they had to demonstrate aptitudes for particular fields of study, or sports or musical instruments. The variety was endless.

The solution devised by the colleges that had both restricted and unrestricted funds had important long-term implications. Using the standardized system, they established first each aid applicant's need—the difference between the projected expenses in his budget and his family resources. The student needed somehow to fill this gap with aid dollars and the colleges' commitment to avoiding bidding wars required that *only* this many dollars could be provided.

These requirements could be met if a certain order in making awards was observed. Restricted funds were the first grants allocated. They went, of course, to the students eligible under the terms of the individual endowments. Then unrestricted funds were allocated to bring the grants to as many needy students as possible up to the same level—either the same number of dollars or the same proportion of need. In either case, the unrestricted funds were, in effect, used to cancel out the special advantage of eligibility for restricted funds. If the system was carried out consistently, measured need became the *only* determinant of the aid offer.

It was a short step to bring other financial aid and quasi-aid within the same system. Some institutions administered loan funds (small by present standards); many also had programs in which the student was provided with a job to earn part of his expenses. These resources also helped fill the need gap in the student's budget. Combined with grants, they constituted an aid "package" subject to the rules of the need analysis consensus.

The packaging concept, born of this kind of deliberation, has had immense influence beyond the concept of measured need itself. Devised to deal with the variety of the institution's own aid funds, the concept of packaging was flexible enough to accommodate aid funds coming from outside the institution—whether from philanthropy or from government. Such external aid was in the usual case treated exactly like aid coming from restricted institutional endowments: it went into the packages of those students who had won it competitively or were entitled to it before unrestricted funds were used for a final leveling up. In California, the role of packaging in

making the most effective use of state funds was well understood by the State Scholarship Commission, and the Commission actively encouraged the development of packaging standards.

What "packaging" had done was to generate a method for what, in other fields, would be called "coordination of benefits." Packaging made it possible for aid springing from very different motives, even sometimes inconsistent ones, to be allocated in a way that achieved coherent and defensible results. This made it less necessary for legislators, deliberating about new aid programs, to worry about how additions to the growing menu of aid programs would fit together: the packaging system would simply take new programs into account as a matter of routine.

You can say, if you like, that packaging made pluralism in aid possible. That makes it sound desirable, and perhaps it is. You can also say that the packaging concept made a large and unintelligible array of programs more viable than it had any right to be.

The Emergence of the Student Aid Profession

Packaging put a premium on there being enough unrestricted funds in the system to bring packages at an individual college to a consistent level. One important strand in the history of student financial aid is the effort of aid administrators to hold on to and increase unrestricted funds, even in the brief period in the middle 1970's when aggregate student aid funds seemed to be gaining on aggregate measured need. Unrestricted funds were essential to making packaging work and to the values of fairness represented by the packaging process.

In trying to assure that the law and regulations governing aid minimized restrictions and supported the flexibility of the packaging process, student aid administrators became highly sensitive to developments affecting student aid in Washington and the state capitals. In the 1970's there was only one other group of college officials that usually had as up-to-date information on Washington developments—the research administrators—and for similar reasons. To the self-governance of the CSS system was added a need for and expectation of participation in the governance of public student assistance programs.

The packaging process and the concerns it entailed were a prime reason for the emergence of aid administration as a distinct profession. Like regis-

trars, aid officers kept track of a great many students, but they had a personal counseling relationship with students registrars did not ordinarily have. The aid administrator's counseling function has some similarities with that of the dean of students, but the aid administrator was much more likely to look beyond the campus for guidance and professional participation. Like the comptroller, the aid administrator handled the allocation of money, but he was accountable for it in an additional way, that is, to the rules of the packaging process. All of the preceding functions tended to distinguish aid from admissions officials, although admissions was, and is, an intimately related function.

The 1970's: The Consensus Under Attack

As long as the focus of policy was on the individual student and the individual institution, and on providing the financial resources for the student to attend that institution, it was hard to find fault with the basic structure of need analysis as developed by the consensus over the years. The focus was on the student's budget, and where else should it be? Student aid administrators could disagree about the appropriateness of particular items on either the expense or resource side of the budget, but the first importance of providing enough aid to meet need as established by the student's budget was self-evident to most aid officers by the late 1960's.

Nonetheless, the 1970's were a period of national—and especially Congressional—controversy about the fundamental equities of student aid. To the astonishment of many aid administrators, the proposition was put forward that public funds for aid should be allocated looking only at the family contribution item on the resources side of the student's budget, ignoring the expense side. To their still greater astonishment, a major federal grant program based on this premise was proposed by the Nixon administration, enacted by a Democratic Congress and rapidly funded up to the full level authorized by the legislation, with the support of both administration and Congress.

The validity of the need analysis process that looked at both sides of the student's budget was not impaired by these developments. Indeed, as soon as funds were available under the new program, student aid officers set about incorporating them in the

packaging process. But need analysis lost some of its aura of self-evidence and inevitability, so the reasons for the new approach bear looking into.

The Origins of the Basic Grant Idea

The program concerned was the Basic Educational Opportunity Grant program (BEOG), now called Pell Grants. In the original Basic Grant proposal, the amount of the award was determined simply by deducting the parents' expected contribution from a fixed figure, called the "maximum grant," because that would be the amount of the student's grant if the parents were expected to make no contribution at all. In other words, the sum of parental contribution and grant would at least equal the maximum grant. The program was designed to equalize family resources for education, not to meet need as such.

Where did this idea come from? There were several sources: one was the critique of public school finance then gathering support throughout the country. School districts having a larger tax base per student could raise more school tax money per student than poorer districts, even if their tax rates were the same. This was widely felt to be unfair, and a prime use of state funds for elementary and secondary education was to equalize the amounts available per student. Substitute "parental contributions for higher education" for "school district tax revenues per student" in this approach and you are well on your way to a formula for equalizing family resources for higher education as well.

A second reason for the attractiveness of the idea of equalizing resources was the GI Bill. Although the original GI Bill paid tuition expenses in addition to a subsistence allowance, the GI Bill in operation in the early 1970's provided only the same flat amount to all beneficiaries with the same number of dependents. The variable tuition payments had been dropped for budgetary reasons and because they had been abused by some proprietary schools. Although it was the original version of the GI Bill that had been so conspicuously successful, it was the flat amount system that was looked to as a model for allocating funds under proposals for a "Universal GI Bill," that is, an entitlement to student aid without regard to veteran status.

A third source of the resource equalization ap-

proach lay in the proposals for welfare reform being actively considered by the Johnson and Nixon administrations, in particular the negative income tax proposals passed by the House of Representatives. An idea that united many liberals and conservatives was that the problem of the poor was simply that they had too little money. What they needed, according to this view, was money itself, not money spent on their behalf or a budget prepared under the guidance of a social worker. Hence, on this view, what recipients do with their money—the expenditure side of their budgets—should be ignored by public policy. It should be their choice and theirs alone. The market could be relied upon to meet their needs. Again, very little transposition is needed to come up with a student aid formula that equalizes family resources and ignores expenses—differences in tuition expense in particular.

Fourth, closely related and also influential, were Milton Friedman's ideas for a system of educational vouchers to introduce market-place competition into education. The Basic Grant maximum, which all eligible students were to be guaranteed from a combination of parental and public resources, would be, like a voucher, a fixed amount which would be "portable" and could be used by the student to purchase the most attractive product in the post-secondary educational marketplace. It was understood that the market could hardly operate ideally as long as the usually large differential in tuition charges between public and independent institutions persisted, but that was a problem for the states and institutions, not the federal government.

The Ideological Climate

At a purely conceptual level, these four influences go a long way to explain how the family resource equalization concept became incorporated into the fundamental mechanisms of the Basic Grants program, notwithstanding the overwhelming consensus of student aid administrators that *all* items on *both* sides of the student's budget should be taken into account in the award of aid.

The enactment and funding of the Basic Grants program also marks the involvement of new participants in student aid policy formulations, with new styles and ideological commitments. When student aid became big business, it attracted the attention

of economists and policy analysts who looked at its problems very much from a bird's eye view. They tended to concern themselves with the educational and earning prospects of all high school graduates. Fairness, to the economists and policy analysts, meant an equal or equalizing distribution of public benefits to all. In contrast, the aid administrator who helped form the original need analysis consensus concerned himself primarily with stretching the aid resources available at *his* institution to help as many as possible of the students applying to *his* office for aid and known individually to him in their infinitely varied family financial situations. Many aid administrators were personally committed to social equality, but professionally, fairness meant vertical and horizontal equity among their aid applicants, to be achieved through the tailoring of individual aid packages. The rather abstract egalitarianism of the economist and policy analyst plainly left more of its mark on the Basic Grants legislation than the more personal egalitarianism of the aid administrator.

There were at least two other kinds of egalitarian ideology supporting the Basic Grants concept. One was the faith, often quite emotional, that anything as good as higher education must be universally desirable. There were those who really wanted everyone to go to college, who wanted to deal with barriers to educational opportunity wholesale, rather than retail as the student aid administrators did. Leveling up resources for college across the board, in the manner of Basic Grants, had great appeal for this wholesaling cast of mind, as did the idea of making student assistance equally available at academic institutions, trade and vocational schools alike.

The other pervasive kind of egalitarian ideology at the time was anti-elitism. On this view, providing more aid to independent college students to compensate for their higher tuition expenses would be to benefit those who wanted to be special or privileged. There were many obvious rebuttals to this position: aid to independent college students actually would even up public subsidies. It would tend to democratize the student bodies of these institutions. In any case, many independent institutions made a specialty of serving those in one way or another disadvantaged. But the fact remains that aid programs that compensated for independent college tuition expenses had an elitist sound which made them much less politically viable in the 1970's than earlier.

The Basic Grant Idea in the California Context

Where did all this leave the conceptual basis of student aid in California? There is no reason to suppose that the analogies, concepts and attitudes that gave rise to the federal Basic Grants program were less influential in California than elsewhere in the early 1970's. Possibly they were more so. However, the state's existing commitments to higher education and the existence of the federal Basic Grant program made the case for a state program to equalize resources for higher education much less compelling.

The state's commitment to low fees at public institutions—a commitment whose costs were rising rapidly during the 1970's—assured that tuition would not be a barrier to some kind of college attendance by all who might seek it. At the same time, the federal Basic Grant program met a large part of subsistence costs. Indeed, it can be argued that the federal program dealt with the barrier of subsistence costs in California more effectively than elsewhere, since a larger proportion of younger students attended college within commuting distance of their parental homes and could therefore, if necessary, save on subsistence expenses by living with their parents. In effect, the state and federal governments had dealt with the financial obstacles to "access" pretty effectively for a time.

However, the decline in the real value of the Basic Grant (renamed Pell Grant) through inflation has reduced this effectiveness. Although there has been a number of increases in the Pell Grant maximum, they have never fully restored its value. The \$2,300 recently enacted maximum is worth less than three-quarters of the \$1,400 maximum of 1974 in constant purchasing power. Plainly, the Pell Grant program has not had a political priority that would give it the kind of protection from inflation enjoyed by Social Security.

New Challenges

In the 1970's the Basic Grant program challenged consensus concepts of awarding aid based on measured need. The growth of "merit aid" has posed another sort of challenge in the 1980's. The quotes are now necessary because earlier ideas of awarding aid to recognize academic achievement are

now sometimes stretched to include aid awarded to maintain enrollments and increase tuition revenues.

The temptation to award "merit aid" springs from the realities of institutional finance. What is happening is a recurrence of the bidding wars of the 1950's, but with these differences: a more central involvement of student aid in the financial well being (or even survival) of the institution, public institutions that do not have to bid as major competitors of independent institutions, and a much more calculated approach to the issues involved on the part of senior institutional managers. For many years, aid administrators complained that senior college officials did not take the trouble to understand student aid. Aid administrators may now complain that some of them understand only too well.

It is far too early, however, for those aid administrators to be counted out who believe—with genuine

passion—in using need analysis to maximize opportunity. They are still to be found at many of the most hard-pressed independent institutions, as well as at public and more affluent independent ones. They have survived a decade and a half of great stress. In the mid-1970's they made a major effort to reestablish a consensus for a model of assessing the ability of families to pay that was consistent conceptually with the original consensus model. The effort was that of "The National Task Force on Student Aid Problems," also called the Keppel Task Force after its chairman, former U.S. Commissioner of Education Frank Keppel. The same committed aid administrators are now actively concerned with reducing the increased dependence of the system on student loans, with reemphasizing the counseling functions of the aid administrator and combatting the more spurious forms of "merit aid" where they can.

3. THE POLICY HISTORY OF CALIFORNIA'S GRANT PROGRAMS

Two major grant programs tell us much about how California has seen its role in student assistance—the programs enacted as the State Scholarship program (now Cal Grant A) and the College Opportunity Grant program (now Cal Grant B). There are other state-wide programs important in

special areas of concern: aid to post-secondary vocational students (Cal Grant C), fellowships for graduate students, and grants for training bilingual teachers, for example. However, these others programs are relatively small, as Table G indicates, and eligibility for them is restricted.

TABLE G
*California Student Aid Commission
Grant Programs, 1986-87*

Program	Total Number of Recipients	Estimated Total Award Amounts (\$ in thousands)
Cal Grant A	43,231	\$ 76,461
Cal Grant B	24,592	33,357
Cal Grant C	2,287	3,134
Graduate Fellowships	855	2,997
Bilingual Teacher Grants	583	1,674
Congressional Teacher Scholarships	211	1,055
Assumption Programs, loans for Education	137	268
Law Enforcement Personnel Dependent Scholarships	9	10
Total	71,905	\$118,911

There have also been a number of grant programs funded through the public segments' Educational Opportunity Programs (UC and CSU) and Extended Opportunity Programs and Services (the community colleges). These grants were intended to broaden the effort made by the Cal Grant B program, and to accompany it with special services for the recruitment and support of disadvantaged students.

Besides their size and general availability, there are other reasons for focusing on the State Scholarship and College Opportunity Grant programs. The enactment and initial funding of these two programs marked watersheds in state policy. Other important milestones—the 1975 legislation that gave them their present names (Cal Grant A and Cal Grant B) and the Student Aid Commission's (its new name from the same legislation) Master Plan for student assistance programs—showed that coordination between the two and their effective administration were major concerns of state policy.

Both programs have had enough long-term continuity that their program statistics can tell us something about the direction of policy. This is of special importance for the history of student assistance in California. Significant change in California programs has come about more slowly and gradually than in the federal programs. The United States Congress has a way of taking the plunge that has been quite foreign to California's style in student aid. The GI Bill, the National Defense Education Act and the Higher Education Amendments of 1972 are obvious examples of the federal tendency. More typical for California have been many step-like increases in the number of grant awards and many small changes in eligibility rules. Cumulatively, such changes have had large effects without there having been obvious turning points.

The Origins of the Scholarship Program

The California State Scholarship Program, enacted in 1955, came almost out of the blue. Yet it and its successor, the Cal Grant A program, have enjoyed consistent respect and almost consistent growth. How did this program come to be launched so successfully? Trends and arguments already discussed had much to do with it, but a good deal of political shrewdness was involved as well.

The winding down of the GI Bill in the mid-1950's was being felt in reduced enrollments at

both public and independent institutions in the state. The need analysis consensus had just come into existence and its principles had been embraced by the leading independent institutions in California. The methods of need analysis and packaging that were developed had demonstrated that a fair and conscientious system of using public funds to maximize educational opportunities at both public and independent institutions was possible.

The first move toward a state program to replace the loss of student aid under the GI Bill came, however, from the public institutions. In the Liaison Committee of the Regents of the University and the State Board of Education—then the nearest thing California had to a higher education planning agency—discussions were underway about the desirability of a program to replace the subsistence stipends that the GI Bill had provided. For the public institutions that charged no tuition, it was these subsistence stipends that would be most sorely missed.

Advocates of the independent institutions, on the other hand, saw that a program of subsistence stipends might well absorb all the energy and funding the legislature was likely to devote to student aid. They decided on a preemptive move for tuition scholarships, which would plainly be much more in the interest of the independent institutions. In a matter of months the independent institutions came together in a new organization, the Association of Independent California Colleges and Universities (AICCU), with a program of tuition grants as its unifying agenda item. The speed with which the new organization took shape suggests that those concerned felt there was little time for a preemptive move. Perhaps, also, the fact that they were able to bring together such a highly disparate set of institutions—from major national universities to small sectarian colleges—suggests how much the GI Bill era had been a unifying experience.

In approaching the legislators in Sacramento, the advocates of AICCU had many arguments they could make—the value of recognizing promising students, the desirability of expanding educational opportunity, the value of the varied programs of the independent institutions and the importance of giving able students a choice. But the emphasis was on one particular argument and it was one that enabled the AICCU to recruit to its cause a core group of conservative legislators.

Demographics and previous state actions clearly pointed to an enormous and expensive expansion

of the evolving system of public institutions to accommodate enrollment growth in the 1960's and beyond. Instead of building and staffing so many public institutions, at great cost to the state, why not make use of excess capacity in the independent institutions? Cost comparisons seemed to prove the point, although no elaborate studies lay behind them. The argument was found compelling and in 1955 the legislation was enacted, within months of the founding of AICCU.

Was the cost argument really valid? Probably, if the growth of public institutions in facilities and staffing was actually reduced by the amount that would have been required for the students diverted into the independent sector. It would take an extremely complicated analysis sustained by a long list of unverifiable assumptions to establish whether such a cutback actually occurred. Much depends on the period of years in question. The scholarship program must have somewhat eased the pressures for expansion of the public four-year institutions in the 1960's. In the late 1970's there were ample spaces in the public institutions, so the case was less strong. However, we may now again be in a period where the program provides the state with valuable fiscal protection.

Advocates of the program also counted on the ability of the newly created Scholarship Commission to administer the program with obvious efficiency and fairness. It was the existence of the need analysis consensus and of the College Board's SAT program that enabled the Commission to do this. SAT scores provided an apparently irreproachable way of ranking applicants on academic grounds and need analysis assured vertical and horizontal equity in determining how much aid a student actually received.

There were other factors that provided support for the program, once established. The fact that more students of modest family incomes attended independent colleges helped the institutions to recruit still others. Those independent colleges that had initially been somewhat skeptical found that they were indeed benefiting, and they gave the program increasingly enthusiastic support. The program also offered opportunities for inter-segmental cooperation that belied any assumption that their relationships must be mutually antagonistic.

On such increasingly strong foundations the program was able to grow, and grow it did, as shown in Table H.

TABLE H
*Total Cal Grant A Program Recipients
1956-57 to 1986-87*

Year		Year	
1956-57	640	1971-72	20,154
1957-58	1,280	1972-73	23,028
1958-59	1,920	1973-74	27,304
1959-60	2,560	1974-75	32,069
1960-61	2,560	1975-76	36,073
1961-62	3,200	1976-77	39,100
1962-63	3,480	1977-78	39,845
1963-64	4,480	1978-79	39,871
1964-65	5,120	1979-80	38,895
1965-66	5,120	1980-81	38,735
1966-67	6,042	1981-82	39,271
1967-68	6,883	1982-83	39,697
1968-69	10,467	1983-84	39,706
1969-70	13,514	1984-85	40,166
1970-71	15,880	1985-86	41,600
			1986-87 43,231

Source: California Student Aid Commission

As the numbers grew, the purposes and policies of the program remained remarkably constant. Some complications, like a system of district-by-district appointments, were discontinued, and a few were added, such as rules for students who delayed entering a four-year college. But there were no changes that altered the main structural elements: it was, and is, a program providing grants toward tuition and fee expenses to academically able students who have measured financial need.

The scholarship program is widely credited with expanding and sustaining enrollments in independent colleges. During the late 1950's the independent institutions kept their roughly one-fifth share of total full-time enrollments despite rapid growth in public institutions. In the 1950's, 1960's and early 1970's, when independent colleges nationwide were seeing their share of enrollments drop by almost half, the independent institutions of California suffered a

smaller proportional loss. This showing may be attributed in part to the scholarship program, although there are a good many other explanations as well. One is the relatively small size of the independent segment compared with the core of students most attached to independent institutions. Another is the selectivity of both the University of California and the California State University: for many students the choice was between a community college and an independent institution. A third explanation is that, in the late 1960's and early 1970's, there was often a wish on the part of parents and students to avoid the well publicized turbulence of some public campuses.

The College Opportunity Grant Program (Cal Grant B)

The consistent success of the scholarship program in choosing academically gifted students was felt, by the 1960's, to pose a problem. It came to seem unlikely that scholarships allocated by the kind of competitive mechanisms in place would ever be awarded to many students whose family poverty not only gave rise to financial need but also to severe educational disadvantage. They would be students who, if they went to college at all, would usually attend community colleges whose open admissions policy and acceptance of needs for remedial education would make them the institutions of inclination, if not necessarily of choice. And, of course, a scholarship toward tuition and fee costs was virtually useless at community colleges, for they had few eligible charges.

Still more important in the late 1960's was the apparent probability that the same factors would result in very few scholarships for members of non-Asian ethnic minorities, even if the number of awards continued to increase. In the 1960's the constituency supporting state financed student aid broadened to include those who supported it because of its potential contribution to social mobility. They felt this potential would not be realized by a program that mainly recognized middle class achievements and aspirations.

These concerns were shared by the Scholarship Commission. Its members wanted to improve the chances of minority students. However, they did not

want to do this by reserving scholarships for minorities. Every imaginable system of quotas would have been invidious: how many ethnic groups should have a quota and which ones? Should a group's quota be proportionate to its share of the total population? Of the school population? Of high school graduates? And besides stirring up conflicts over these issues, a quota system would have seriously undermined important achievements of the scholarship program: its effectiveness as an incentive for performance in high school and the recognition of scholarship recipients as young people who were successful in academic competition. Far better, the Commission felt, to have a separate program, also competitive, in which disadvantaged students could demonstrate other kinds of excellence than the purely academic.

The College Opportunity Grant (COG) program, enacted in 1968, was the state's response to Commission proposals along these lines. Like the Scholarship program, the College Opportunity Grant program was competitive, but the areas of competition were initiative, capacity for commitment and ability to overcome disadvantages. The program followed the critique that had been made of the existing state scholarship program, and quite consistently channeled aid to students:

- (1) who were poor enough that educational deprivation and not just limited means were against them;

TABLE I
*Total Cal Grant B Program Recipients
1969-70 to 1986-87*

Year		Year	
1969-70	1,000	1979-80	20,077
1970-71	1,720	1980-81	21,415
1971-72	2,293	1981-82	20,355
1972-73	3,811	1982-83	20,476
1973-74	4,761	1983-84	20,277
1974-75	6,695	1984-85	20,990
1975-76	8,162	1985-86	22,806
1976-77	12,651	1986-87	24,592
1977-78	15,498		
1978-79	17,917		

Source: California Student Aid Commission

- (2) whose biggest financial difficulties in attending college were meeting subsistence costs, not tuition charges;
- (3) who would be likely to attend non-baccalaureate institutions;
- (4) who were members of ethnic minorities.

As was the case with the Scholarship program, the College Opportunity Grant program started small. Only 1,000 awards were made the first year. But increases came almost every year, with especially large proportional increases in 1972, 1974 and 1976, as seen in Table I.

The Meaning of Growth

What does the growth of both programs tell us in policy terms? Certainly it says a good deal about

the state's commitment to educational opportunity and its awareness of the use of student aid in achieving policy objectives. The growth of the programs also signals a shift in the direction of providing financing to the individual student as opposed to the state's almost total reliance on institutional subventions that had characterized preceding decades. The growth was rapid enough that the ratio of awards in each of the programs to the number of high school graduates steadily increased, even as total enrollment grew rapidly, as shown in Table J.

The growth of the scholarship program also made it possible for it to serve more than one policy objective at the same time. It was assumed at the beginning of the program—indeed, intended—that it would focus assistance on students attending independent colleges. It did this rather unambiguously for its first decade, during which about two-thirds of scholarship recipients attended independent

TABLE J
*Cal Grant A and B Participants in Proportion to the Previous Year's
Public High School Graduates and to Full-time Higher
Education¹ Enrollments*

	1961-62	1966-67	1976-77	1981-82	1986-87
Cal Grant A					
First-time recipients as % of high school graduates	1.0	1.1	5.0	5.8	7.1
All recipients as % of full-time higher education enrollments	1.2	1.3	5.2	5.1	5.9
Cal Grant B					
First-time recipients as % of high school graduates	—	—	2.4	2.7	3.8
All recipients as % of full-time higher education enrollments	—	—	1.7	2.7	3.3
Cal Grant A & B					
First-time recipients as % of high school graduates	1.0	1.1	7.4	8.5	10.9
All recipients as % of full-time higher education enrollments	1.2	1.3	6.9	7.7	9.2

¹Public four-year institutions, independent four-year institutions and public community colleges.

Sources: California Student Aid Commission and California Postsecondary Education Commission

institutions and a still larger share of program funds went to these students. As the program continued to grow, the number of independent college students receiving scholarships continued to grow, as did the dollar amount of their awards. However, the program had never been the exclusive preserve of the independent colleges, and their share of scholarship recipients began a long and gradual decline in the late 1960's until it now amounts to less than one-third of awards, as shown in Table K. This is true even though the absolute number of their students receiving awards and the dollars they were awarded continued to increase, at least until the late 1970's.

TABLE K
*Percentage of New State Scholarship
(Cal Grant A) Recipients
Attending Independent institutions*

Year	Percent	Year	Percent
1956	62.9	1971	46.8
1957	65.2	1972	42.8
1958	66.5	1973	44.7
1959	65.5	1974	46.4
1960	67.0	1975	42.9
1961	65.8	1976	45.2
1962	67.6	1977	46.6
1963	65.0	1978	44.0
1964	63.9	1979	41.3
1965	62.3	1980	36.6
1966	60.4	1981	32.9
1967	56.8	1982	30.7
1968	51.3	1983	29.2
1969	50.3	1984	30.2
1970	48.5	1985	31.2
		1986	30.0

Source: California Student Aid Commission

The declining share of scholarship (Cal Grant A) recipients enrolled in independent institutions is best understood as a broadening of the purpose of the program. By 1970, the University and the State University together had a larger share than the independent colleges. By 1980, the University by it-

self had a larger share. By 1984, CSU also passed the independent institutions. Considerable declines in the independent share of recipients occurred with each large increase in the number of awards after 1965.

The initial intention of the legislature to support the enrollment of especially bright students at independent colleges—and thereby to support the colleges themselves—was increasingly achieved. But at the same time the program was coming to be perceived as more open. As a consequence, the program was attracting more and more students into its applicant pool who saw it—and used it—as a vehicle of choice. In student aid “choice” tends to be a code word for choice of an independent institution. But the choice more and more California state scholarship (Cal Grant A) winners were making was a public institution, often one with less selective admissions requirements than they could meet.

If trend lines tend to reflect policy in student aid, then we can say that the program, starting out with a policy of assisting independent higher education, broadened that policy over the years into one of favoring choice as such—real choice and not just choice in the code-word sense.

However, since at least the late 1970's, two other trends have worked in the opposite direction. One is a decline in the percentage of the tuition and fees payable on behalf of recipients attending independent institutions because of a limit imposed by the maximum amount of the Cal Grant A, as shown in Table L.

This decline meant that the obstacle to attending an independent institution represented by tuition and fee charges was less and less effectively removed by the program. The relative financial advantage of attending a public institution was correspondingly increased. Even as the growth in the number of awards was enabling the program to provide more students with real choice, the declining tuition coverage of the Cal Grant A was beginning to bias that choice more and more away from independent institutions. It is hard to say exactly when such trend lines cross, because all the factors affecting student preferences are involved. But it is certainly true that Cal Grant A recipients are no longer as nearly indifferent to independent college tuition charges as they must have been in the early 1970's.

The second trend is the result of a limit on the maximum family incomes of eligible applicants. By the 1980's, about a quarter of applicants planning

TABLE L
*Maximum State Scholarship (Cal Grant A) Amount as a Percentage of
 Average Tuition
 and Fees Paid by Program Recipients Attending Independent Institutions*

Year	Percent	Year	Percent	Year	Percent
1970	103.2 ¹	1975	86.2	1980	69.0
1971	93.5	1976	85.0	1981	62.8
1972	87.5	1977	78.1	1982	55.6
1973	89.8	1978	71.3	1983	51.7
1974	95.3	1979	70.3	1984	52.0
				1985	53.0
				1986	52.0

¹Possible because low tuition institutions lowered the average below the maximum grant.

Source: California Student Aid Commission

to attend independent colleges and demonstrating qualifying financial need and high school grades, were being excluded from the program by the income limit. These are students from above-median-income families who have financial need precisely because of the much higher tuition charges of independent institutions—an important part of the target group of the program in its earlier days. And it is clear that the income limit is affecting the shape of the total program. From 1977 to 1981 the average parental income of new Cal Grant A recipients was remarkably stable. The range over these years was from a low of \$21,346 (in constant 1981 dollars) to a high of \$21,895. But the average has since steadily dropped, reaching \$18,668 by 1984.

The Achievement of Ethnic Diversity

The College Opportunity Grant program also proved itself to be a vehicle supportive of choice. Although over half of initial awards have been to students attending public community colleges, as mandated by the Legislature, enough recipients have entered or later transferred to public and private four-year institutions so that almost 60 percent of them have attended four-year institutions since 1972. The success of the College Opportunity Grant (now Cal Grant B) program in reaching ethnic minority students has been as intended. In every year of the

program's existence, between 75 and 90 percent of the recipients have been of minority background.

The surprising story here is not the successful targeting of the College Opportunity Grant Program, but a trend in the Scholarship program toward convergence with the College Opportunity Grant program in the matter of minority participation. Minority group members were receiving around a third of Scholarship (Cal Grant A) awards in the 1970's and nearly half of the awards by the mid-1980's (Table M). The growth of minority shares was not even, taking each minority group separately. Between 1973 and 1985, Hispanic and Native American shares more than doubled, while Asian and Filipino shares increased by almost half and the Black share increased by one quarter. Still, the direction of the trend was general and pronounced.

Yet the need for a way to channel aid to minority students was crucial in seeking enactment and funding for the College Opportunity Grant Program, and the assumption was that the Scholarship Program could not provide such a channel. Why did this assumption prove false? The historically crucial factor, of course, was the civil rights revolution itself. It raised the aspirations of minority students and their families and it gave impetus to changes in the schools that in turn encouraged and sanctioned those aspirations. There were also at least two factors in the operation of the student aid system that helped. First, many independent colleges adopted minority recruitment plans of their own and these colleges well

TABLE M
*Members of Ethnic Minorities¹ as a
Percent of New Awards*

Year	Cal Grant A (Scholarships)	Cal Grant B (COG)	Cal A and B Combined
1972	23.3	78.0	32.9
1973	33.0	81.2	40.4
1974	32.3	78.4	41.4
1975	30.8	75.4	39.4
1976	30.0	77.6	45.4
1977	34.6	79.5	48.9
1978	39.4	82.4	52.1
1979	40.3	82.4	53.0
1980	41.4	82.4	53.5
1981	39.0	82.4	51.5
1982	43.8	83.6	55.8
1983	45.9	87.6	57.4
1984	50.0	88.2	60.5
1985	48.9	87.2	61.2

¹Included are Asians, Blacks, Filipinos, Hispanics, Native Americans and other non-white groups.

Source: California Student Aid Commission

knew how to make the student aid system work to the advantage of their students. They were often able to offer a minority student who received a State Scholarship a package of aid that would meet all his remaining financial need.

Second, the rapid growth in minority Scholarship recipients occurred at the same time that federal aid programs—Basic Grants in particular—were expanding rapidly. Together, a Scholarship and a federal Basic Grant would, over a considerable spectrum of students, circumstances and college costs, meet most of financial need. At any rate, the combination of the two made it far easier for aid officers to provide full-need packages.

The convergence of the Scholarship (Cal Grant A) and College Opportunity Grant (Cal Grant B) programs in their usefulness to minorities means that the two programs, in combination, do a very impressive job, especially if it is borne in mind that the federal Basic Grant (Pell Grant) program and segmental aid programs also help considerably in taking into account the greater than average financial need of minority students.

Grants with Additional Objectives

It is against the background of the major undergraduate grant programs, Cal Grant A and Cal Grant B, that the policies behind the other state funded aid programs can best be seen. They fall into three major categories. First, there are the programs intended to assure the comprehensiveness of the structure of post-secondary opportunities provided by the state. The Cal Grant C program of grants for vocational training obviously falls in this category. It is intended to assure that student assistance is not limited to students attending institutions in the collegiate and university segments and to give recognition to the validity for some students of choosing skill training in non-academic programs.

A second group of programs are not intended to make the opportunities provided more comprehensive, but to create highly specific opportunities, and thereby help to meet specific needs for skilled professionals. Among these are Bilingual Teacher Grants and Graduate Fellowships. So also is the Assumption Program of Loans for Education (APLE),

which is, in effect, a program of delayed grants conditional on a teacher's continued service in a qualifying school district, and designed to help the schools recruit or retain teachers in shortage fields. All of these programs are like ROTC scholarships and the large number of federal fellowships in specific areas of study, rather than like the federal Pell Grant program or the Cal Grant programs. The small size of these state programs relative to Cal Grant A and B indicates a policy of leaving choice of career up to the student except in a few areas of critical shortage unlikely to be remedied by the offer of greatly higher salaries.

A third group of programs—and next to the Cal Grant programs, the largest group—involve state funds appropriated to each of the public segments for making student grants. Since the early 1970's, the state has provided the community colleges and the State University with funds to provide grants to accompany and support outreach efforts directed to disadvantaged students. Funds for similar purposes were provided by an allocation of student fee revenue at the University. Until the 1980's these were the only substantial state funds allocated directly to institutions of the public segments for student aid. The state's first priority in student aid was clearly the Cal Grant programs, through which aid was awarded competitively to students, not to institutions.

Then, in the early 1980's, the Legislature began to look to student fees to reduce the reliance of the public segments on the strained resources of the state budget. It was understood that additional grant aid based on measured financial need could offset the impact of new or increased fees for those students unable to pay them. Aid funded through the Student Aid Commission could have done this, but the Legislature chose to channel the additional grant funds through the institutions.

The choice is understandable: the Legislature wanted to reassure low income students that the state's commitment to educational opportunity was not to be eroded by fees. Since separate action was taken on the fees of each of the public segments, separate aid funding was also provided. A new grant program was established at the State University for 1982-83 and a new one at the community colleges for 1984-85, in each case in contemplation of fee increases. For students at the University, the Legislature first authorized part of increased fee revenue for additional student aid and then, in the 1984-85 budget, began allocating state funds to replace fee revenue

as a source of aid. By 1986-87 the state was to "buy out" fee-funded aid completely.

These developments stand for the proposition that student aid is a state responsibility when fiscal relationships with public institutions are rearranged. The new funding pattern results, however, in a considerable change of direction. For the first time state funds for institutionally awarded aid have come to rival amounts for the statewide programs administered by the Student Aid Commission, as shown in Table N.

TABLE N
State Appropriated Funds for Student Assistance
1984-85
(\$ in millions)

Principal Student Aid Commission Programs	
Cal Grant A	60.3
Cal Grant B	29.9
Cal Grant C	3.2
Graduate Fellowships	2.6
Bilingual Teacher Grants	3.4
Total	99.4
Institutionally Based Programs	
Community Colleges	
EOPS	8.9
Board Financial Assistance	4.9
State University	
EOP	7.1
State University Grants	12.4
University of California	11.0
Total	44.3

Source: California Postsecondary Education Commission

It is not clear that all of the values at stake have been given considered weight in the decision-making process. Does the state believe that the policy of statewide competition among students for grants is flawed and should be diluted or done away with? Does the state believe that the policy according aid recipients a choice of institutions (including a possible choice of an independent college) should be revised? The principles of competition and choice have been part of a much honored tradition of state funded student assistance in California and deserve consideration in the new fiscal world of the 1980's.

4. THE COORDINATION OF FEDERAL AND STATE ROLES

The system of student financial assistance in California has become an extremely complicated one. Even if only generally available programs are counted, there are several federal ones and several state ones. Each allocates its benefits according to different rules and procedures, so that the bias of a program that favors one kind of student at one kind of institution may be at least somewhat offset by another program with a different bias. To get benefits, students must often have multiple points of contact with multiple agencies.

Some of this complexity results from our federal structure of government, and some of it stems from the pluralism that characterizes the American system of higher education and permits the continued existence of strong independent institutions alongside strong public ones. In some countries not having such traditions of federalism or pluralism in higher education, the system of student financial assistance is much more unitary. If there are complexities (and sometimes there are), it is because the government has deliberately created them to achieve its objectives, not, as in the American case, because of an historical accretion of programs. They are more like the complexities of American Social Security programs than those of the American student aid system.

A main reason why the complexities of the American system have been tolerable at all has been the existence of the packaging process at individual institutions. It has allowed benefits from new pro-

grams to be fitted in with benefits from older programs and augmented by the institution's own unrestricted resources. Institutional packaging is a system for "coordination of benefits." The process makes it possible to provide total amounts of aid to individual students that, in the usual case, do not violate the principles of vertical and horizontal equity as conceived by the original need analysis consensus.

In following the history of the gradual accretion of programs in this section, we shall look first of all at the consequences of each new program for the packaging process—whether it made it more viable or less. We shall look also at what each new program did to the balance of programs—not so much at what it would have done if it had been the sole student aid program, but at what the aggregate of programs did *with* the new program that they would not have done without it. It is in this shifting balance that real student aid policy is to be found and not in the rhetoric that accompanies each separate enactment. We shall also examine what each new program brought about in defining federal and state roles in student aid—student aid's own brand of federalism.

One would like to look also at what each new program did to the public's perception of student aid, particularly the students' perception. These perceptions are impossible to follow step by step, yet the confusion, the paperwork and the multiple standards of the system have surely taken their toll. We have

come a long way from the time when the award of student aid in the form of a scholarship was an honor, an almost magical gift, and a show of trust in the student by society's leaders. Sadly, receipt of student aid is now perhaps rather more like finally getting the mortgage loan or the income tax refund you applied for several months ago. Although this erosion of positive perceptions cannot be documented, it should be borne in mind that each new program has taken this development a little further.

When Life Was Simple

Under the immediate post-World War II GI Bill, there were few problems in any of these areas. For most veterans, the GI Bill was their sole source of aid and a cherished opportunity. The program paid tuition and a subsistence stipend for the veteran and his family. If the stipend was inadequate, the usual way to augment the student's budget was a job, not more aid. California had its own GI Bill, but a much more modest one. The state's primary and continuing support for veterans was in the form of zero tuition at public institutions, rather than in the form of student aid.

Since there was but one substantial source of student aid, there was no packaging process to speak of, and the roles of the states and federal government were clear and accepted. There was a problem of some negative public perception because a minority of eligible veterans were averse to serious education and training but still wanted GI Bill subsistence stipends. They found equally unserious schools to enroll them. The public was upset by these abuses and Congress took major steps against them—dropping the allowance for tuition and requiring of each school accreditation or an equivalent. But, by and large, perceptions of the program by both the general public and the veterans themselves were so positive that the idea of an equally simple and universal student aid program has become a permanent part of the folklore of student aid. Nostalgic references to the days of the GI Bill are still heard when the frustrations of the present system are discussed. The nostalgia was one basis for support of the federal Basic Grant program. There has, however, never again been a program that paid college expenses without regard to need, academic qualifications or amount of tuition charged. Such a universal GI Bill would be enor-

mously expensive and would involve a transfer to the federal government of financial burdens which need analysis says many families should be able to bear themselves.

The Heyday of Packaging

The California State Scholarship program began—not at all coincidentally as we have seen—just as the GI Bill receded in importance. Since scholarships generally went to recent high school graduates and veterans were generally older, there was little overlap between the groups eligible for the two programs. Problems of coordination that did occur were worked out between the Scholarship Commission and the colleges. Because California adopted the consensus system for screening the academically eligible for financial need, the process of packaging student aid for scholarship winners was generally smooth. There was, for example, little chance that the amount of a California State Scholarship would exceed need as measured by the college, for it, too, was likely to use the consensus system. A check of the student's final budget could easily identify any excessive awards. Nor was there a problem of competing or discordant federal and state roles. The state entered the scene just as the federal government was packing its bags to leave, and therefore issues of federalism were moot.

There was, however, a serious shift in the balance of programs. The GI Bill had provided funds for subsistence as well as for tuition, but there was now no major public funding from either federal or state sources to meet room and board costs. The state provided funds that permitted zero tuition at public institutions and it now became a major source of aid toward tuition expenses at independent institutions. But student aid offices were left largely to their own resources in finding aid to cover other expenses. At community colleges there was usually no aid office at all, and elsewhere at public institutions they were usually understaffed as well as underfunded. This was not a good time for prospective students who could not count on their parents or their own earnings to meet basic subsistence expenses.

One wonders why the loss of GI Bill aid to meet subsistence expenses was not more painfully missed. Perhaps it was because the state was making such rapid strides towards a higher education system in

which more and more of the state's population were in commuting distance of an appropriate public institution. Recent high school graduates, unlike the veterans, usually had parental homes where they could live.

The National Defense Education Act

The first sizeable federal program after the GI Bill was the loan program included in the National Defense Education Act of 1958. The impulse behind the Act was, of course, the fear that Sputnik represented Soviet superiority, or at any rate a Soviet catching-up, in technological fields related to national defense. The national defense rationale for a federal education program—otherwise anathema—was stretched to include support for mathematics, science and foreign languages at all educational levels, graduate education in almost any field and student loans, for which undergraduates were eligible.

The United States Office of Education depended heavily on the concepts of need analysis in putting the National Defense Student Loan (NDSL, now Perkins Loan), program into operation. The result was a program which lent itself to the packaging process with greater ease than any subsequent federal program. Each college received an annual allocation of federal funds to create a revolving fund, from which it made loans to fill out aid packages that met need defined by the institution, often under the consensus rules.

Since "need" could include costs of room and board, NDSL loans could help the student in meeting subsistence costs, unlike California State Scholarships. There was, then, a slight shift in the balance of aid toward meeting student costs more comprehensively and with a greater reliance on self-help. And there was definitely more documentary bureaucracy, for loans had to be evidenced by notes and repayments eventually had to be collected.

Still, there was very little strain on federal-state relations. The NDSL program was to serve a national purpose, and this purpose was emphasized in order to overcome resistance to the involvement of the national government in the affairs of higher education. But the program lent itself so well to coordination through packaging that there was little tension, for California's own scholarships lent themselves to packaging also. It therefore created little strain that the

state dealt directly with students in the matter of scholarships while the federal government dealt directly with institutions.

The Higher Education Act of 1965

Coordination was not so easy between state programs and the new forms of student assistance authorized by the federal Higher Education Act of 1965. This was partly because the sheer number of federal programs and the number of dollars were increasing. But it was also because the new programs represented compromises and accommodations responsive to national politics. One could hardly expect the need to facilitate the packaging process to have a large claim on the attention of Congressmen and Senators setting out to abolish poverty or strike bargains in the taxation committees.

Further, the 1965 Act contained provisions pulling in opposite directions. It made national and permanent a work-study program begun by the Office of Economic Opportunity. The College Work-Study Program came to the Office of Education part and parcel with a theory of the poor working their way out of poverty and out of inadequate education at the same time. However, the argument was successfully made that students from low income families, with no money expected from home and some educational catching up to do, could not be expected to earn enough to be able to attend even moderate cost colleges. Therefore, an Educational Opportunity Grant (EOG) program was added, containing language targeting eligibility on the very poor.

At the same time, the 1965 Act also authorized aid for students who were *not* poor. The Guaranteed Student Loan Program (GSL) was designed for students whose parents were not even poor to the extent of showing need by consensus standards. Its purpose was to offer low-cost loans, instead of a tax credit or deduction for educational costs that middle and upper income constituents were seeking. To be sure that eligibility for the loans was *not* restricted by standards of parental ability to pay, any expected parental contribution was explicitly excluded from the new program's way of calculating whether total aid exceeded need.

Neither the poverty-oriented work and grant programs nor the middle class-oriented GSL were good news for the packaging process. The restrictions

on eligibility for Work-Study awards and Educational Opportunity Grants were not terribly narrow, but they did mean that aid officers had to do far more juggling to make aid packages come out even, not less as would have been the case if the new forms of aid had been as unrestricted as NDSL. The GSL program was worse, in principle, since it permitted a student to make an end run around the packaging process by invoking an arbitrary definition of need that made no sense in terms of a student's real budget.

This perhaps makes it sound as though conflict and despair were the order of the day in student aid offices. This was not so, for three reasons. First, new sources of funding were very welcome. Second, the typical student aid officer was enthusiastically supportive of the war on poverty—fighting poverty had, after all, been what his profession was all about for years. Third, the packaging process still had enough resiliency in it to accommodate the new programs. The enthusiasm of the aid profession mobilized enough energy to deal with the new complexities.

On balance, the 1965 Act probably shifted the aid system as a whole slightly toward aiding the very poor, provided they attended colleges with active and competent student aid administrators. In terms of federalism, the principal initiative seemed to be passing from the states to the federal government. There is some evidence, for example, that a more comprehensive California program might have been enacted at about this time but for an inclination to wait and see what the federal programs would amount to. There, indeed, proved to be a gap left by the Federal 1965 Act. For all the links to the War on Poverty, as time passed, it became evident that the federal programs enacted in 1965 would be highly unsuccessful in channelling funds to students attending community colleges—the kind of college that California students from low income families were, in fact, most likely to attend. When the 1968 California legislation establishing the College Opportunity Grant program (now Cal Grant B) was ultimately enacted, a compensating preference for community college students was provided.

The 1972 Amendments

Although the 1965 Act signaled a permanent federal involvement in student aid for the first time,

the 1972 Amendments to the Act of 1965 were in some ways more of a watershed than the 1965 Act itself. The 1972 Amendments were a watershed partly because of the vast scope of the legislation. It was said at the time that the 1972 Amendments attempted to solve every problem of higher education at least twice. This was not altogether a joke. In the field of student aid there were henceforth *two* federal loan programs with large and overlapping eligibility pools, and there were *two* grant programs for very needy students. It became possible for successive administrations, concerned about tight federal budgets, to argue that the NDSL and EOG program (now the Supplemental Educational Opportunity Grant or SEOG program) were redundant and need no longer be funded. This move has been resisted by the student aid administrator community because NDSL and SEOG funds lent themselves to the packaging process much better than the new Basic Grant program or the GSL program.

Another reason why the 1972 Amendments were a watershed was a complexity as vast as the scope of the legislation. It is hard to imagine in these days of deregulation, but Congressional staff took pride in just this complexity. One part of the legislation required the use of the Greek alphabet because there were sub-sub-sub-sub-sections. There were four or five distinct ways—depending on how you counted them—to determine the eligibility of students for a GSL interest subsidy. One portion of the Basic Grant legislation was deliberately framed to open the way for a legal contest between low income students and lower middle income students if less money were ever appropriated than was authorized by the statute. Obviously, this was a way of holding a good number of feet to the fire.

There can be little question that this pitting of class against class, and program against program, changed the student aid world. Gone were the days when student aid officers welcomed any new program. Their ability to package aid from all the federal sources was strained to the breaking point, for the law's complex eligibility requirements for each program had to be met before any of its funds could be added to any individual package. Timely word from Washington was hard to get. Delays in issuing regulations, appropriating funds and publishing allocations of funds became an annual nightmare.

These difficulties were compounded in the case of the Basic Grant (Pell) program. Many of those who worked for the legislation wanted it to be a

model of simplicity. They fondly hoped that parents anywhere in the country would be able to figure out on the back of an envelope what each of their children could expect from the program when it came time to plan for college. The fact that the expense side of the student's budget, variable from college to college, was originally to be ignored in the calculation was thought to be a plus for simplicity. The student would be able to know how much he could get even before he chose a college. It was also thought that every state legislature and every student aid administrator would be able to do the calculation in the aggregate and plan for state and institutional funding accordingly. On this view, Basic Grants would provide a starting point, a floor of support on which the states could reliably build complementary programs and on which student aid offices could build the rest of each student's package. Coordination of programs was to be easier, not harder.

In fact, it did not work out this way. It has become increasingly routine for states and institutions to require students to apply for a Basic Grant as a precondition of receiving aid, but this is because they want to avoid expending their scarce and relatively unrestricted funds to supplant Basic Grant aid to which a student is entitled. The amount of that entitlement, however, can be very late in becoming certain, and coordination is by no means automatic. The program never acquired full status as a program of predictable entitlements.

Further, the Basic Grant program was required by the statute to have its own system for estimating family ability to pay. The system was almost as complicated as the CSS system because of fears that it would be both unfair and costly to ignore any family financial resource. And it was a *different* system that produced different and usually higher estimates of ability to pay. This was for two main reasons: the United States Office of Education was prevented by the statute from assuming a standard contribution from student summer earnings as CSS did, so to come up with the same *family* contributions, expected parental contributions had to be higher. Second, just as the Office of Education was making an effort to fund the program at the full authorized level, given the initial family contribution schedule, CSS found itself compelled to adopt a less demanding set of parental contribution expectations than those of the late 1960's, widening the gap. The federal budget cost of following CSS in this was out of the question as a practical and political matter.

Very soon, the Basic Grant system acquired a life of its own, both regulatory and political. It remains the case that a state like California that uses the CSS system cannot make estimates of Basic Grant and state aid eligibility without running through ability-to-pay calculations twice.

The frustration with all this on the part of aid administrators can easily be imagined. When their initial representations to the federal bureaucracy seemed to fall on deaf ears, they put together the organization mentioned before, the National Task Force on Student Aid Problems, usually called the Keppel Task Force. Its agenda included a large number of apparently mundane administrative items: ways of minimizing the discrepancies between the sets of family financial data called for by different means tests, and ways of coordinating the forms on which students could apply for and be awarded aid under federal, state and institutional programs.

These matters are not as pedestrian as they may appear, for they are at the heart of the mechanics of the packaging process. The packaging process, in turn, is at the heart of a need based aid system that looks at both sides of the student's budget, and of the tradition of self-governance that had served well up to the 1972 Amendments. The reaffirmation of this system and this tradition was what the Task Force's effort was really all about. The Task Force called for "partnership," which was really a *cri de coeur* for enough accommodation on the part of federal and state governments to allow institutional coordination of aid from different programs through the packaging process to continue as a viable system. In California, the Student Aid Commission took—and still takes—this concept of partnership seriously. In Washington, however, the response was less forthcoming. The education bureaucracy, the Office of Management and Budget (OMB) and Congressional staff continued to march to a variety of different drummers.

The 1972 Amendments brought about a major change in the balance of programs. In California, the Basic Grant program meant that aid for subsistence expenses was routinely available to substantially all low-income undergraduates for the first time. This included students at community colleges, who received almost \$60 million in Basic Grants by 1977-78. The Basic Grant program encouraged community colleges to take student aid seriously and, subject to a variety of limitations, they helped their students to take advantage of the other federal

programs as well. Proprietary trade school students, already eligible for GSL loans, also benefited enormously. Their students received Pell Grants amounting to about \$11 million in 1975-76, rising to \$63 million in 1984-85.

On the other hand, the federal NDSL, Work-Study and SEOG programs which allowed awards more sensitive to tuition costs in the student's budget became an area of new competition. At the federal level the competition was budgetary: although these "campus based" programs were continued, the funding demands of the Basic Grant program almost certainly meant much slower growth. At the state level, there was increased competition among institutions for the pool of funds allocated to each state for these programs.

With the 1972 Amendments, the balance of public student assistance programs in the aggregate—both federal and state—probably began to shift from a preference for meeting tuition costs to a preference for meeting subsistence costs, and away from the independent colleges of California toward public institutions (especially community colleges), and toward proprietary trade schools.

At the same time, leadership in funding clearly had shifted from state government to the federal government. It became a priority in many states to frame their own aid programs to complement the federal ones. In one respect California was in a fortunate position. States such as New York, that awarded aid on formulas like that of the Basic Grant program, ran a risk of awarding aid in amounts which, added to federal aid, was not in proportion to the relative financial need of different students. Because the Cal Grant programs were need based, this particular problem did not arise in California.

It should not be inferred that the 1972 Amendments represent a single-minded effort to take a dominant federal position in student aid. The 1972 Amendments were ambiguous about the assumption of primary federal responsibility as they were ambiguous about a great many other things. The legislation even included authorization for a new program of State Student Incentive Grants (SSIG) which would offer federal matching money to states that established student aid programs. It was determined that the Cal Grant programs qualified for the program, and the state legislature permitted the small amount of federal funding available to be added to the state's appropriation for the programs, rather than subtracted from it.

However, developments in the late 1970's and early 1980's tended to emphasize the federal role even further. In 1976 the Congress enacted a new formula for setting the interest subsidy on student loans in the GSL program that made the program much more profitable to lenders than it had ever been before. Banks and other lenders became willing, even eager to participate. Then, as inflation reached higher and higher levels, a piece of instant folklore came into existence: that middle income families were losing ground economically and that it was becoming much harder for them to send their children to colleges where students from low income families were allegedly getting a "free ride" because of federal student aid. There was one solid piece of factual evidence for this view: as real estate values rose—and they rose higher and faster in California than elsewhere—more and more middle income families were being excluded from aid or having their eligibility trimmed because of rising home equity, which many did not think they should have to pledge to finance education.

In any case, the mixture of fact and myth about the financial difficulties of the middle class moved the Congress in 1978 to enact the Middle Income Student Assistance Act (MISAA) and the President to sign it into law. He was relieved that a still more costly tax credit had been avoided. A key provision was to eliminate any means test whatsoever for participation in the GSL program. Anyone could borrow, and borrowing was becoming seductively attractive, for inflation was making the real interest rate charged students decidedly negative. A freshman who borrowed \$2,500 under the program in 1978 had his real debt reduced to \$1,500 (in 1978 dollars) when he graduated four years later and before he began to be charged any interest at all. The result was a bonanza of borrowing.

Stepping back from the frenetic activity of the MISAA period, we can see that something of more long-term importance was happening: the most open-ended program in the aid system, the program which could be used to meet new demands for aid, to cover higher tuition costs and to make up for sluggish growth in the funding of grant programs was a loan program and in all matters of policy it was a federal program. Another move by the Congress in the late 1970's was to provide generous incentives for the states to take over day-to-day administrative responsibility for the program, on the view that they would do much better than the federal government in preventing defaults. But it was only administrative

responsibility that was turned over. The states had far less control over GSL eligibility, practices and policies than over, say, federally funded welfare programs.

Further, throughout the entire period of its rapid growth, the GSL program was not subject to need analysis. Any contribution was ignored that the student's parents—or the student himself—might be expected to make to his budget. It is arguable that the growth of the GSL program since 1976 has done more substantive damage to the ideals of the need-based aid system than the 1972 Amendments or any other development in student aid in the last three decades. The 1965 and 1972 federal enactments made it harder to carry out the packaging process and the new "merit aid" makes it both harder and sometimes a bit hypocritical. But the growth of the GSL program made half of all aid available without regard

to ability to pay. The policy balance among aid programs, the federal-state relationship and student perception of what aid is all about were altered drastically.

Under the 1986 Amendments to the Higher Education Act, need analysis standards will henceforth be imposed for all GSL borrowers. The Amendments also increase the amounts students may borrow, especially upper division and graduate students, and they increase the interest charged students, beginning four years after completing their studies. Thus a number of factors affecting the degree of student reliance on debt financing have changed, very recently and in opposite directions. It is unclear to what extent the net effect of all of these changes taken together will be to reverse the trends of the last decade.

5. WHERE WE ARE NOW

The recent history of student aid in California is, like all recent history, difficult to discuss without trespassing on issues of the present. Yet recent trends cannot be ignored without giving an extremely misleading impression. By the late 1970's, the growth of state and federal student aid programs had assured that virtually all students graduating from high school would be able to afford to attend a low fee commuter institution. At the same time, the Cal Grant programs, together with the federal GSL programs, were usually making it possible for academically qualified young people to choose among public and independent institutions with only moderate concern for differences in cost. The "tuition equalization" feature of the Cal Grant A program had been considerably eroded since the early 1970's, but private tuition charges were usually manageable. Pell grants and Cal Grants together covered, on average, about two-thirds of the financial need of students who received both, leaving only a third to be met by institutional grants, work-study and loans.

All of this has changed, as Table O indicates. The aid system that had evolved by the late 1970's was certainly imperfect from many points of view, but it now evokes considerable nostalgia. The Pell Grant no longer covers the out-of-pocket costs of large numbers of dependent low income commuter students. Accordingly, the use of loans by students attending these institutions has grown rapidly. With

the continuing decline in the fraction of independent college tuition and fees covered by the Cal Grant A maximum, even larger proportions of grant recipients have chosen public institutions, surely for financial reasons as well as for reasons of educational preference. For those who have chosen independent colleges, Pell and Cal Grants together covered only about half of financial need by 1985-86. Their average financial need, after Pell and Cal Grants, was almost twice the maximum they could borrow under the GSL program, whereas in 1979-80 average remaining need was only 60 percent of the maximum.

One would think that changes in the student aid system as drastic as those of the past five years would have been the result of explicit changes in policy. This has not been the case. What has been clear and explicit at both the state and federal levels has been the need for budgetary retrenchment, given major tax reductions, but this motive is not the same as a student aid policy.

The federal guaranteed student loan program, which has taken up so much of the slack left by the shortage of grant funds, has itself a history of growth largely in a policy vacuum. The Guaranteed Student Loan program was enacted in 1965 with the support of the banking industry, but primarily as a ploy to avoid an education tax credit or deduction that would have cost more to the federal treasury. All means tests for the program were abolished in 1978 for more or

TABLE O
Percent of Total Need of Cal Grant Recipients
Met by Pell Grants Plus Cal Grants

	1979	1980	1981	1982	1983	1984	1985	1986
Community college students	73.5	67.7	54.6	49.5	46.9	50.1	50.8	48.3
CSUC students	58.9	48.8	40.9	37.5	36.2	38.6	41.4	37.4
UC students	63.3	55.6	47.8	42.9	42.0	44.8	47.5	42.4
Independent college and proprietary school students	68.4	63.4	56.3	51.2	49.1	50.0	51.0	48.3
All students	66.3	59.2	51.2	46.3	44.3	46.2	48.0	44.5

Source: California Student Aid Commission

less the same reason. Incentives for lenders to lend as much as they could were created in 1976 to make the loan system work smoothly, not to make the aid system as a whole more effective. The budgetary cost of these incentives, together with other interest subsidies and default costs, would have been enough at any time in the last 10 years to fund a very substantial grant program. But this trade-off was never seriously considered, even as borrowers came to include more and more students from low income families.

State policy toward the GSL program can be summarized in one proposition: students in California should be allowed to take advantage of the program as much as students in other states, provided the federal government bears the costs. The state, accordingly, joined the program in 1966 as a guarantee agency and discontinued participation in 1967 in favor of direct federal administration when it would otherwise have had to contribute to its guarantee fund. It resumed participation as a guarantee agency in 1979, when the costs of administrative participation again became transferable to the federal government.

It is not surprising that the state has been unwilling to commit its own funds, because at no time have the states been permitted, except on minor points, to develop and apply their own policies about eligibility for loans, the amount of borrowing or alternative ways of assuring repayment. The largest aid program operating in California, and the most rapidly growing, is beyond the state's control in all essentials, and it has received little clear policy direction from Washington either.

Increasing reliance on loans has been brought about simply by falling behind in making adjustments for inflation in the grant programs, thereby reducing budgetary demands. The resulting inadequacy (by the standards of the late 1970's) of Pell Grants and Cal Grants has tended to bring about greater reliance on loans and to shift enrollments toward the kinds of educational program that will result in less cumulative student debt. These trends, in turn, have second-order consequences that exacerbate problems:

- Proprietary schools and low-cost public institutions become more attractive because less debt need be incurred in order to attend them. They therefore also receive larger and larger shares of aggregate public grant funds.
- Increasing loans to high-risk students at these institutions result in more defaults on repayment obligations, tarnishing public support for the student aid system as a whole.
- Independent institutions are forced to raise tuition by additional increments in order to fund grants that offset the real dollar decline in grants from public sources and their declining share of those grants.

There is also an interactive effect between the aid system and student self-confidence. Aid awarded in recognition of academic or other potential is confidence enhancing. Grant aid awarded purely on the basis of need is at least neutral vis-a-vis the student's self-confidence: the student has nothing to lose by trying and may enroll on this basis. But aid in the form of loans challenges self-confidence. It says, in effect, "If you think you can perform well enough

to get a job that will enable you to pay back loans, here is the money." There are undoubtedly large numbers of students who have the kind of self-confidence it takes to accept such an offer, and justifiably. But a good many students whose experience leaves them unsure of their ability to do well in college and to turn a college degree into earning power will be deterred from college attendance by reliance on loans, or will choose the post-secondary alternative that will result in the least cumulative debt, usually a community college or a short-course proprietary school.

One can speak here of third order consequences as well. The instability of the system, public cynicism and the opportunism of desperation that is fostered by it move the student aid system as a whole farther and farther away from the ideal of a perma-

nent and predictable support for educational opportunities that everyone can take for granted. Student aid comes to be less like Social Security and more like welfare in the degree of protection it receives from a supportive public opinion.

One has to wonder also whether the remarkable and successful consensus that has long existed in California among the institutional segments and their political supporters is not at risk. The consensus has been, in effect, that the major California grant programs would provide educational opportunities in all of the segments, and would serve both low and middle income students, the academically gifted and the disadvantaged. The programs have, in fact, served the goals of both access and choice.

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